



Siemens Gamesa Renewable Energy - Capital Markets Day

On Track to Global Leadership

15 February 2018

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Agenda – On Track to Global Leadership

<u>Time (CET)</u>	<u>Section</u>	<u>Presenter</u>
11:30-13:00	1. Corporate <ul style="list-style-type: none">▪ Company Overview and Strategy▪ Financial Outlook▪ Integration & Transformation	Markus Tacke – CEO Miguel Ángel López – CFO David Mesonero – CSO and CIO
<i>13:00-13:30</i>	<i>Q&A</i>	
<i>13:30-14:30</i>	<i>Lunch Break</i>	
14:30-16:00	2. Business Units <ul style="list-style-type: none">▪ Onshore▪ Offshore▪ Service	Ricardo Chocarro – ON CEO Andreas Nauen – OF CEO Mark Albenze – SE CEO
16:00-16:05	3. Conclusion	Markus Tacke – CEO
<i>16:05-16:20</i>	<i>Coffee break</i>	
<i>16:20-17:00</i>	<i>Q&A</i>	



Siemens Gamesa Renewable Energy - Capital Markets Day - On Track to Global Leadership

Company Overview & Strategy

Markus Tacke: CEO

SGRE on track to global leadership



One Company – One Team



Andreas
Nauen
OF CEO

Ricardo
Chocarro
ON CEO

David
Mesonero
CSO and CIO

Markus Tacke
CEO

Miguel Ángel
López
CFO

Mark Albenze
SE CEO

Jürgen Bartl
General
Secretary

Agenda - Company Overview & Strategy

1 **Sector Overview**

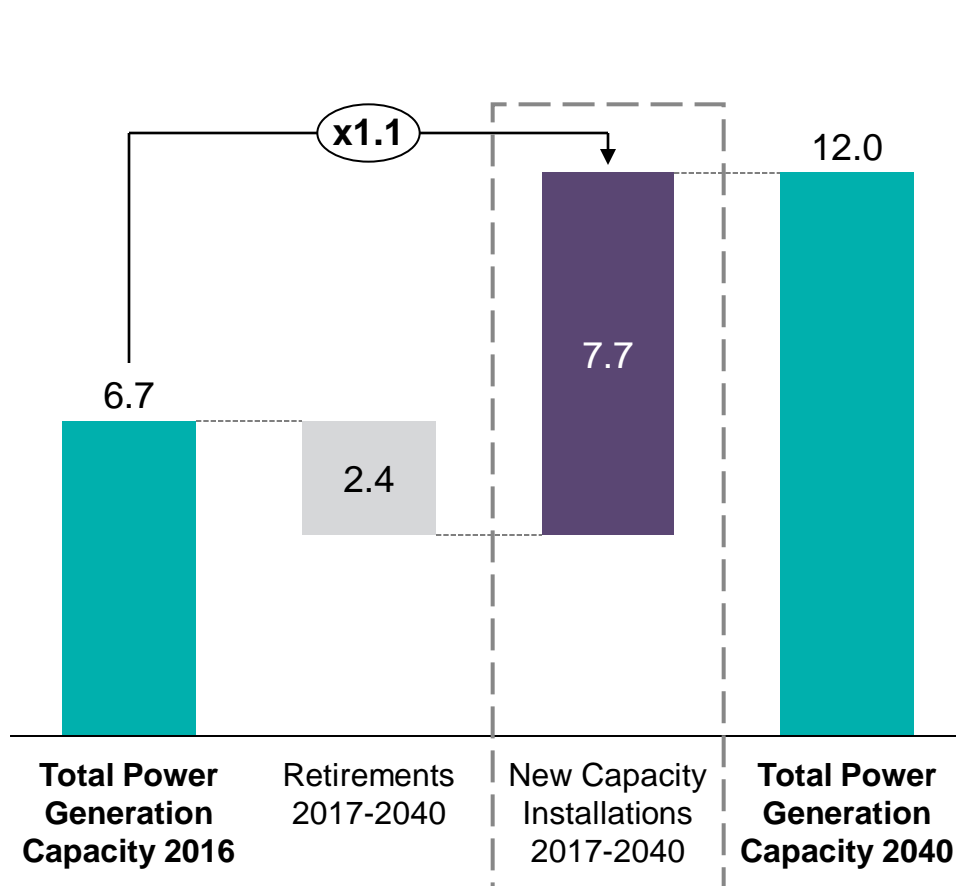
2 **SGRE Unique Proposition**

3 **L3AD2020 Program**

4 **Beyond FY18 Targets**

Global power generation additions until 2040 to exceed total existing installed base

— Global power generation capacity (in TW)¹



Fundamentals

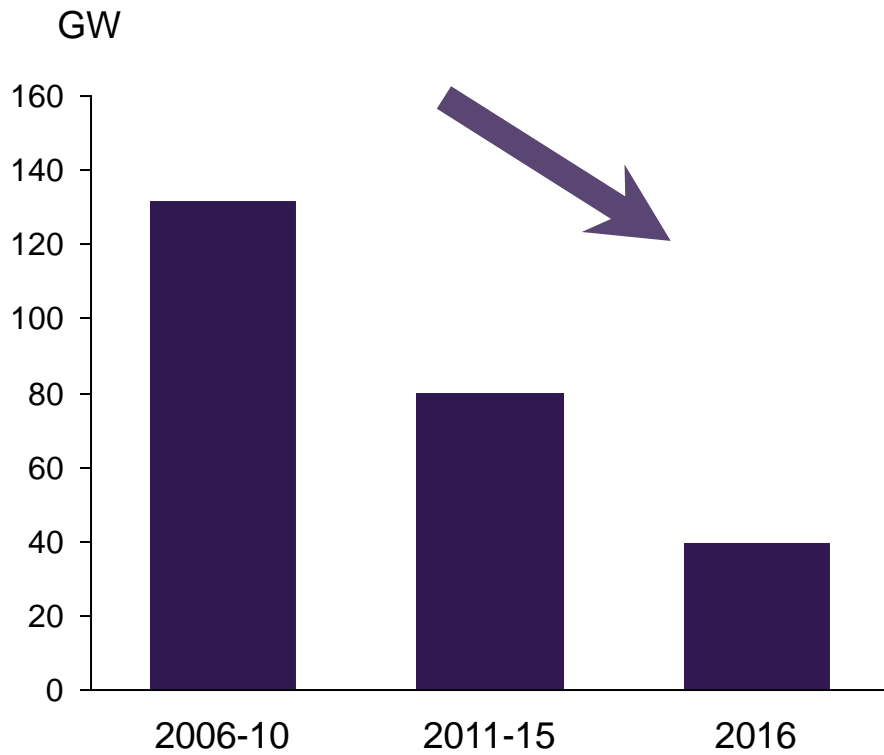
- **Global population and GDP growth** driving higher energy consumption
- **Retirements** of old capacity triggering need of additional new installations
- Clear **electrification trends**, e.g. transportation

Implications

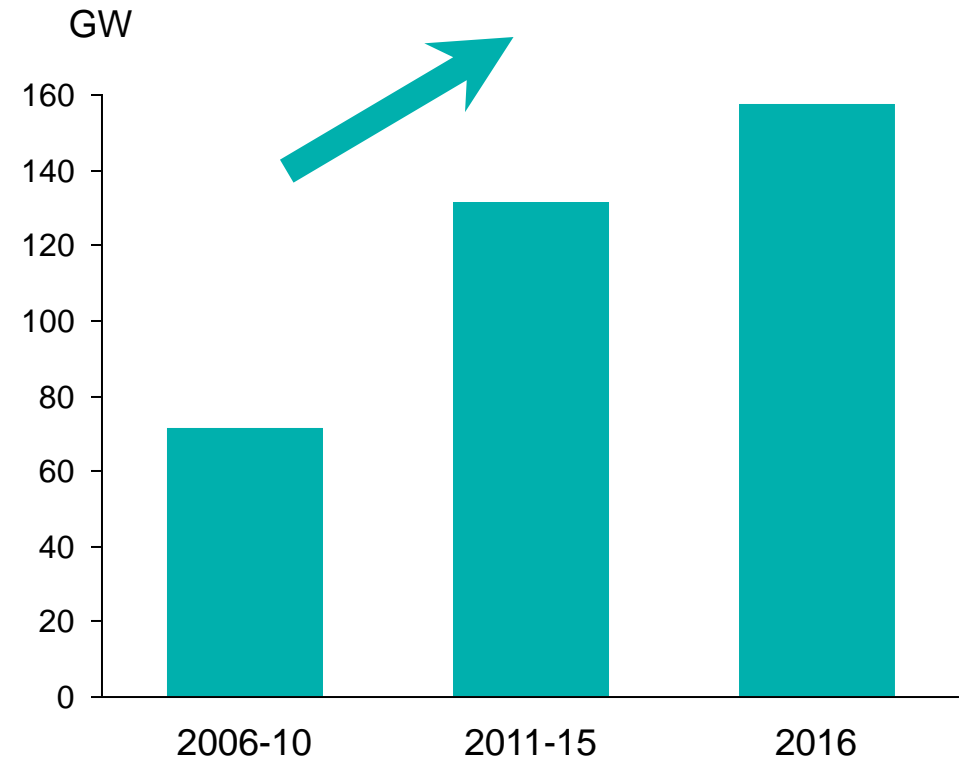
- New installations to **surpass existing accumulated capacity**
- Global **investment** until 2040: **~10 \$T²**

Renewables already leading capacity additions in recent years...

Average annual final investment decisions for new coal-fired power capacity¹

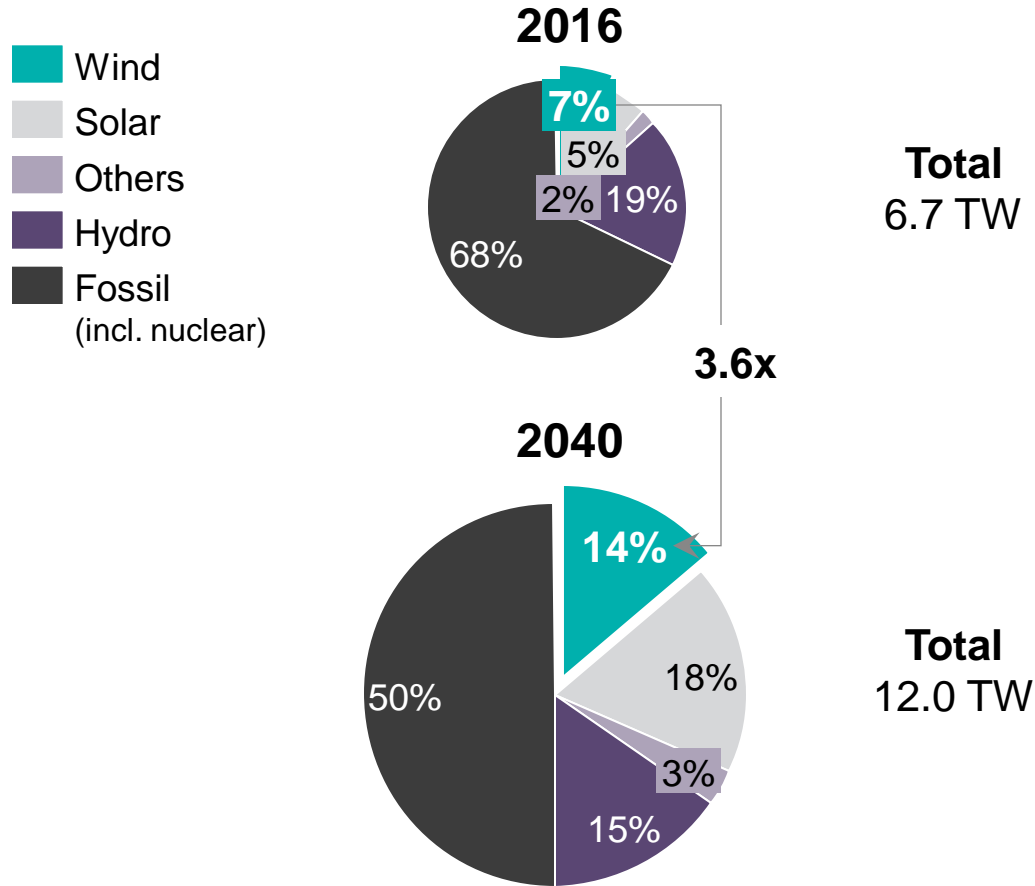


Average annual additions of renewable power capacity²

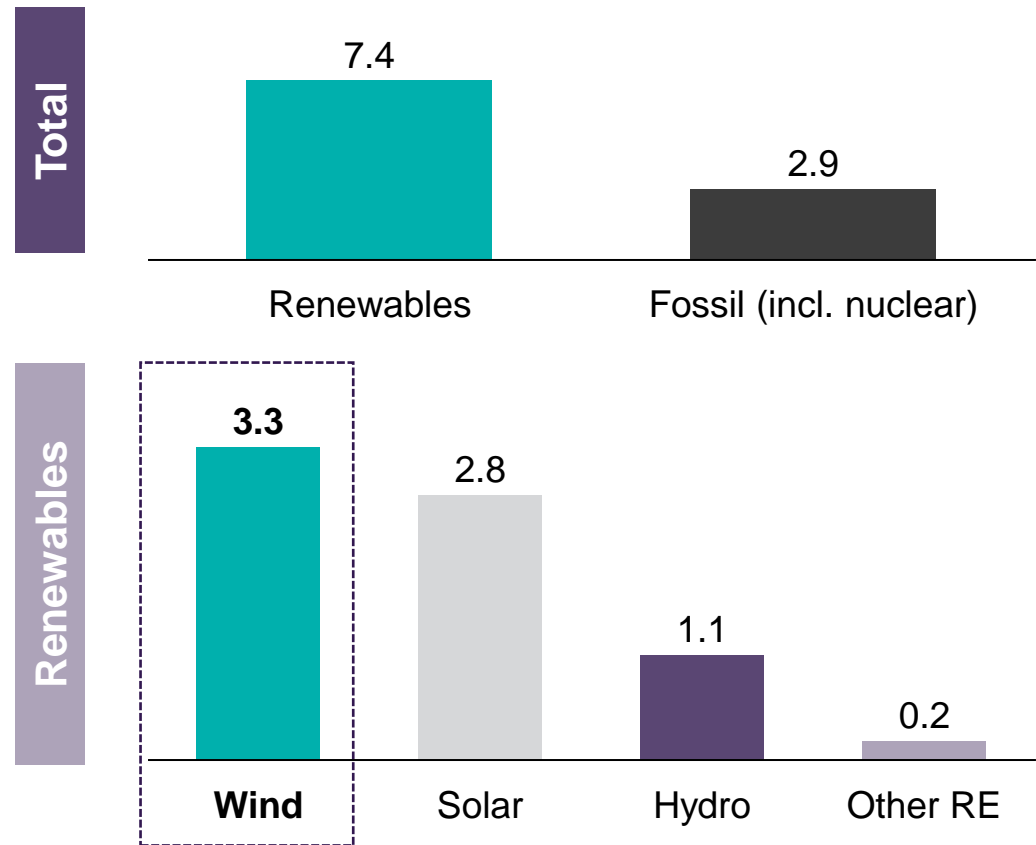


...and going forward wind power will attract the largest pool of investments

Global power generation capacity (in TW)¹



Global cum. new investments (2017-40 in \$T)²



Competitiveness of renewables triggering investments from main stakeholders

Examples only

Government

Strong **commitment** to RE of international community



PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21·CMP11

Parliament



35% by 2030

Nations committed to accelerate...

State/City

100% RE target set



Fukushima City



... cities and states are powerful drivers

Corporate

>19GW¹ of corporate PPA for RE signed



Utilities committing



... more companies are joining

Record-low auction prices transformed wind into a mainstream energy source

Attractive supply and demand dynamics

Supply

- Continuous **technological improvements**
- **Consolidation** increasing **scale** and **cost optimization**
- **Digitalization / storage** enabling better renewable energy integration

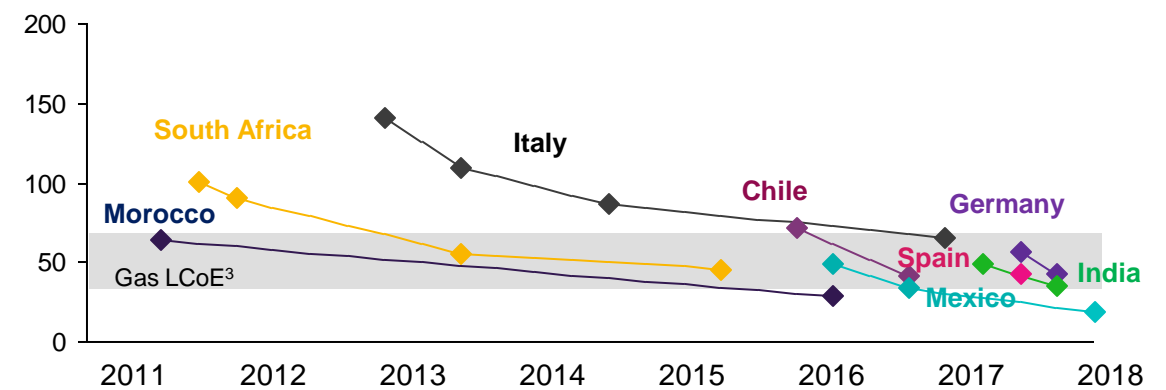
Demand

- Sustained **commitment** to renewables
- **High liquidity** in the market
- Low cost of **funding**

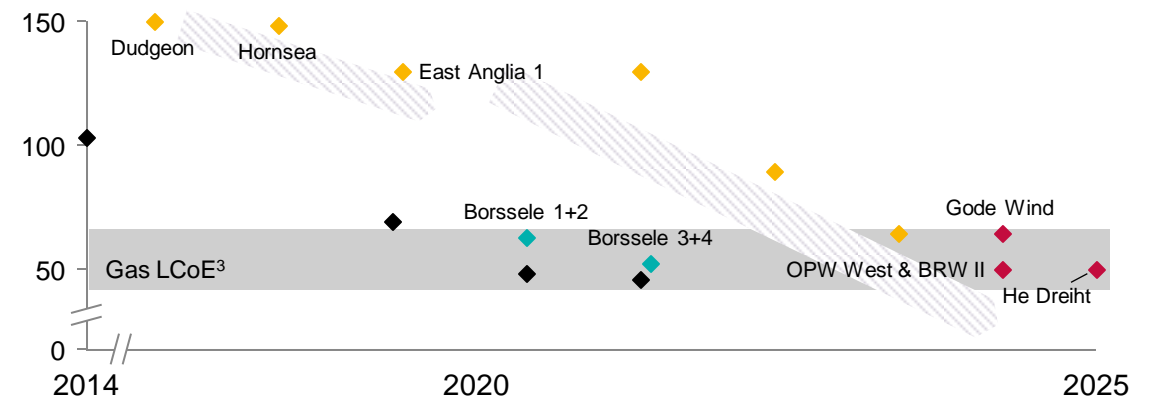
 Accelerated competition through **auctions**

Resulting in record-low prices

Onshore (average auction prices €/MWh)¹



Offshore (levelized auction prices \$/MWh)²



“New normal”: Global transition towards auction systems largely behind us



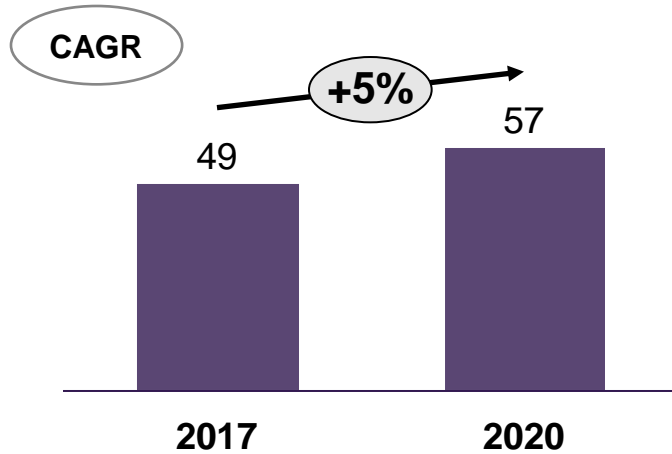
 **US** wind market also based on competitive market mechanisms;  **Chinese** market with country specific dynamics but still mainly through feed-in tariff

Favorable volume prospects for all businesses and with upside potential



Onshore

Average annual installations (in GW)¹
3 year average applied⁴

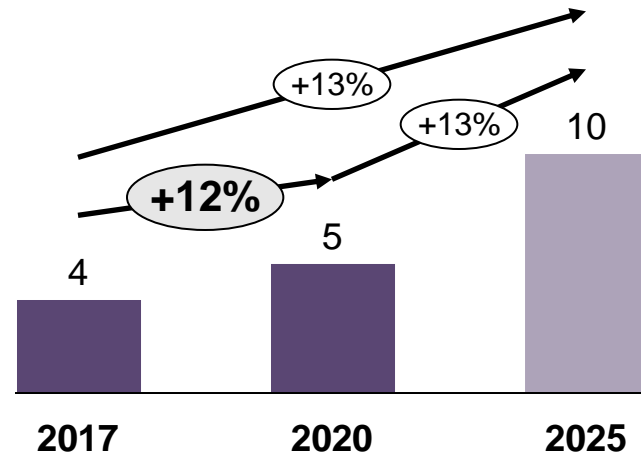


Large market
Moderate growth



Offshore

Average annual installations (in GW)²
3 year average applied⁴

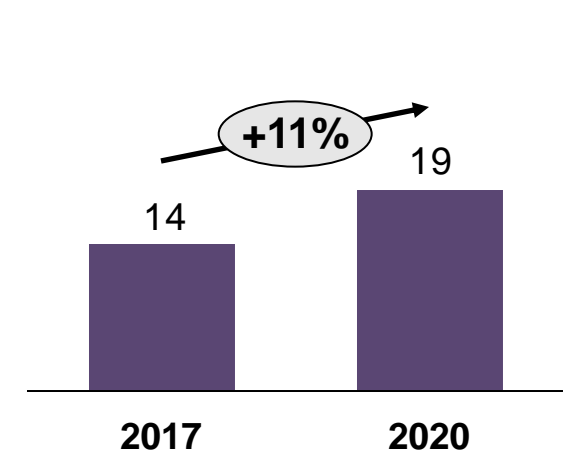


Mid-size market
Strong growth



Service

Average O&M Market size (in \$B)³
3 year average applied⁴



Mid-size market
Strong growth

Agenda - On Track to Global Leadership

1 Sector Overview

2 SGRE Unique Proposition

3 L3AD2020 Program

4 Beyond FY18 Targets

Merger provides SGRE unique foundation to achieve sector leadership



Scale



Business & geographical diversification








Technology leadership



Extraordinary synergy & transformation potential

SGRE benefits from leading scale

	Reported Backlog (December 17)
	Revenue (FY17 pro-forma)
	WTG Order Entry (FY17 pro-forma)
	Accumulated Installed Base (September 17)
	GW under O&M (September 17)

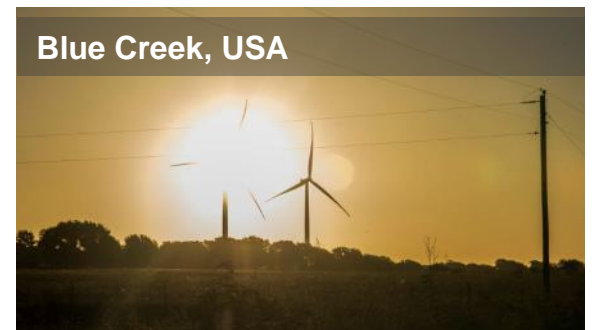
21 €B

11 €B




8 GW

83 GW

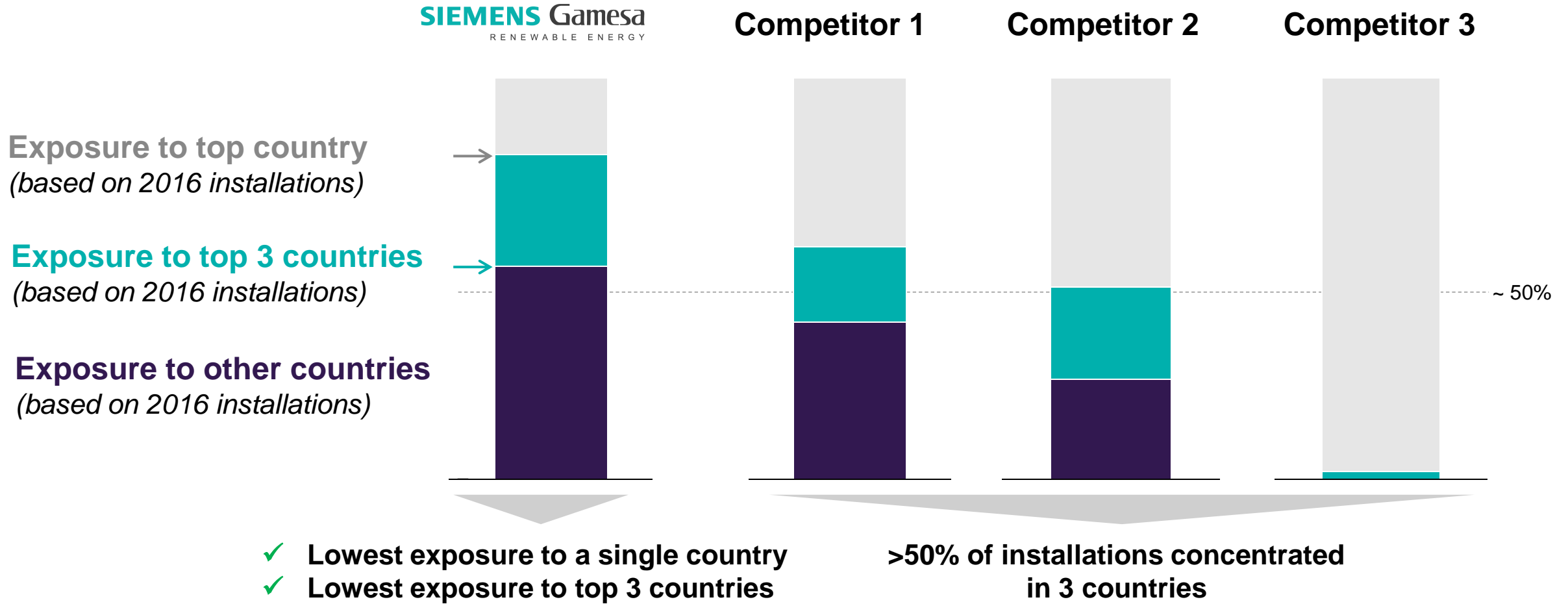
55 GW



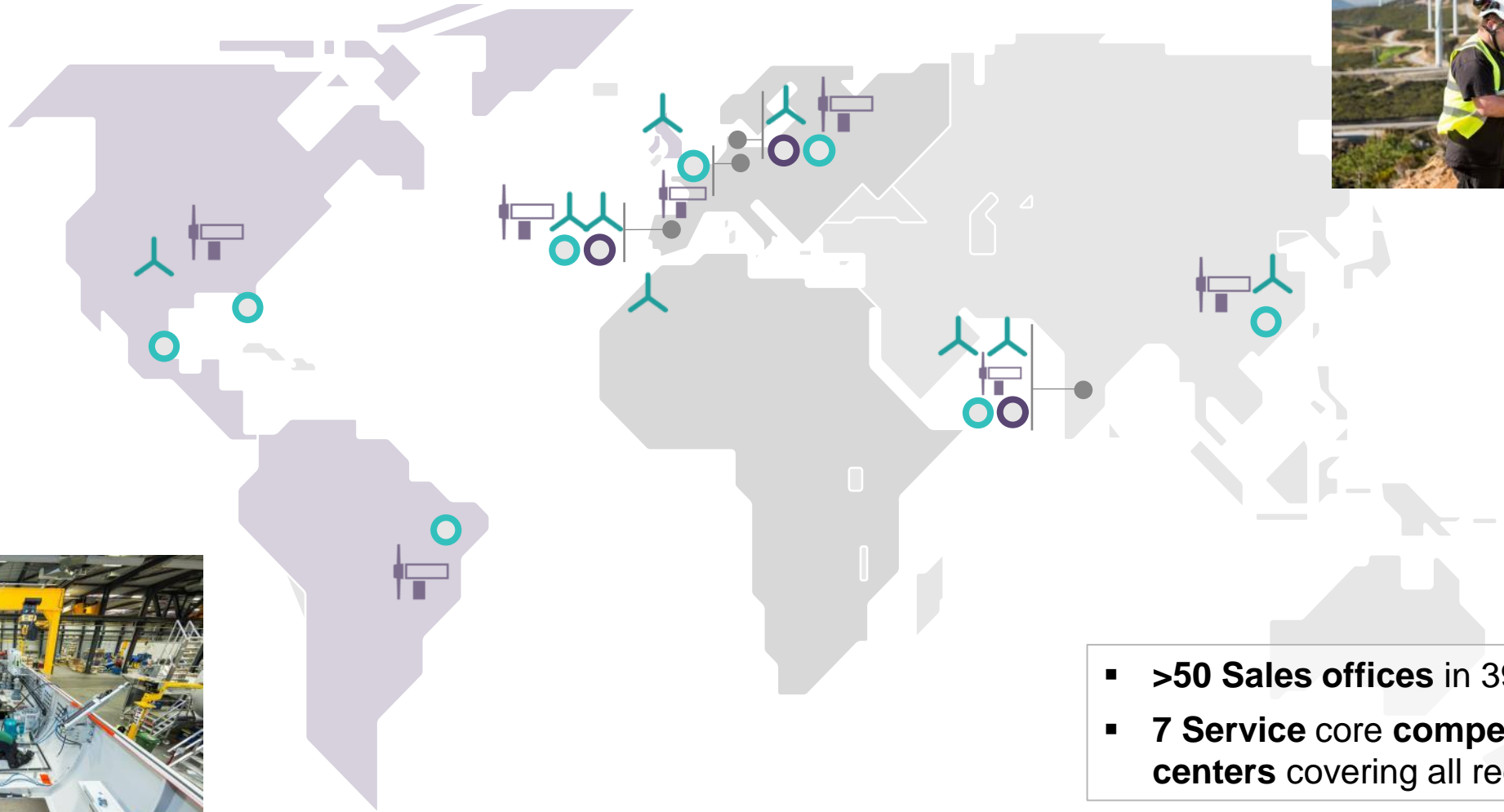
Uniquely diversified and complementary businesses – well positioned for growth

	Market			SGRE		
	Current Annual Market Size ¹	Expected Growth	Order intake conversion to Revenue ²	Current Position	Backlog ³	Business Highlights
 <p>ON</p>	~50 GW	Moderate	~1-2 yrs	Top 3	3.9 €B	<ul style="list-style-type: none"> ✓ Positioned to gain market share ✓ Leading product portfolio
 <p>OF</p>	~4-6 GW	Strong	~3-6 yrs	Leader	7.2 €B	<ul style="list-style-type: none"> ✓ Positioned to continue leading ✓ Truly unique track-record
 <p>SE</p>	~15 €B	Strong	~5-10 yrs	Top 2	10.1 €B	<ul style="list-style-type: none"> ✓ Above market growth ✓ Strong profitability

SGRE has the broadest regional diversification...



...and true global reach – ensuring customer proximity



- **>50 Sales offices** in 39 countries
- **7 Service core competence centers** covering all regions



Technology leadership is in our DNA

Combining unrivaled engineering experience..

..to achieve best-in-class product portfolio



*Turbine of the year **Gold** awards from Wind Power Monthly (pre-merger)*



2016

Gamesa G126-2.5MW
Siemens SWT-7.0-154



2015

Siemens SWT-3.3-130
Siemens SWT-7.0-154



2014

Gamesa G114-2.0 MW



2013

Gamesa G58 850kW
Siemens SWT-6.0-154



Already jointly achieving top awards...

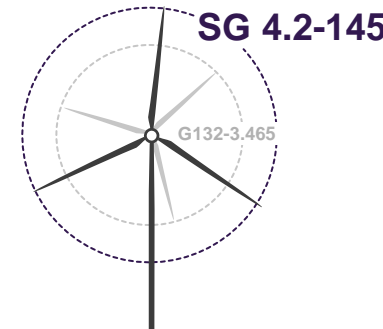


2017

SG 114-2.0
SG B82 rotor blade

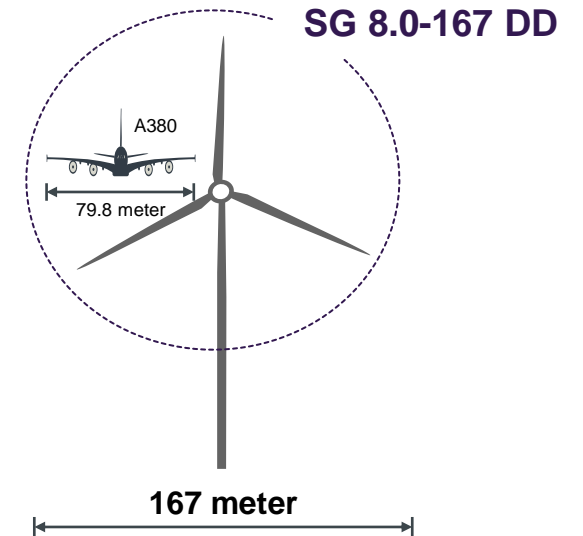
...and announced the most attractive products for our customers

Onshore

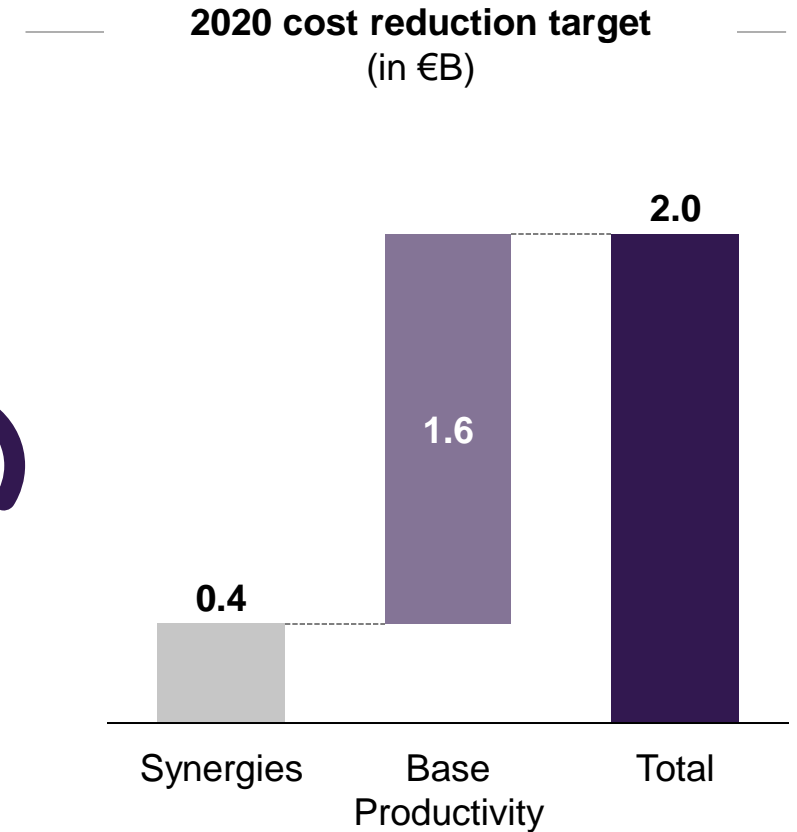
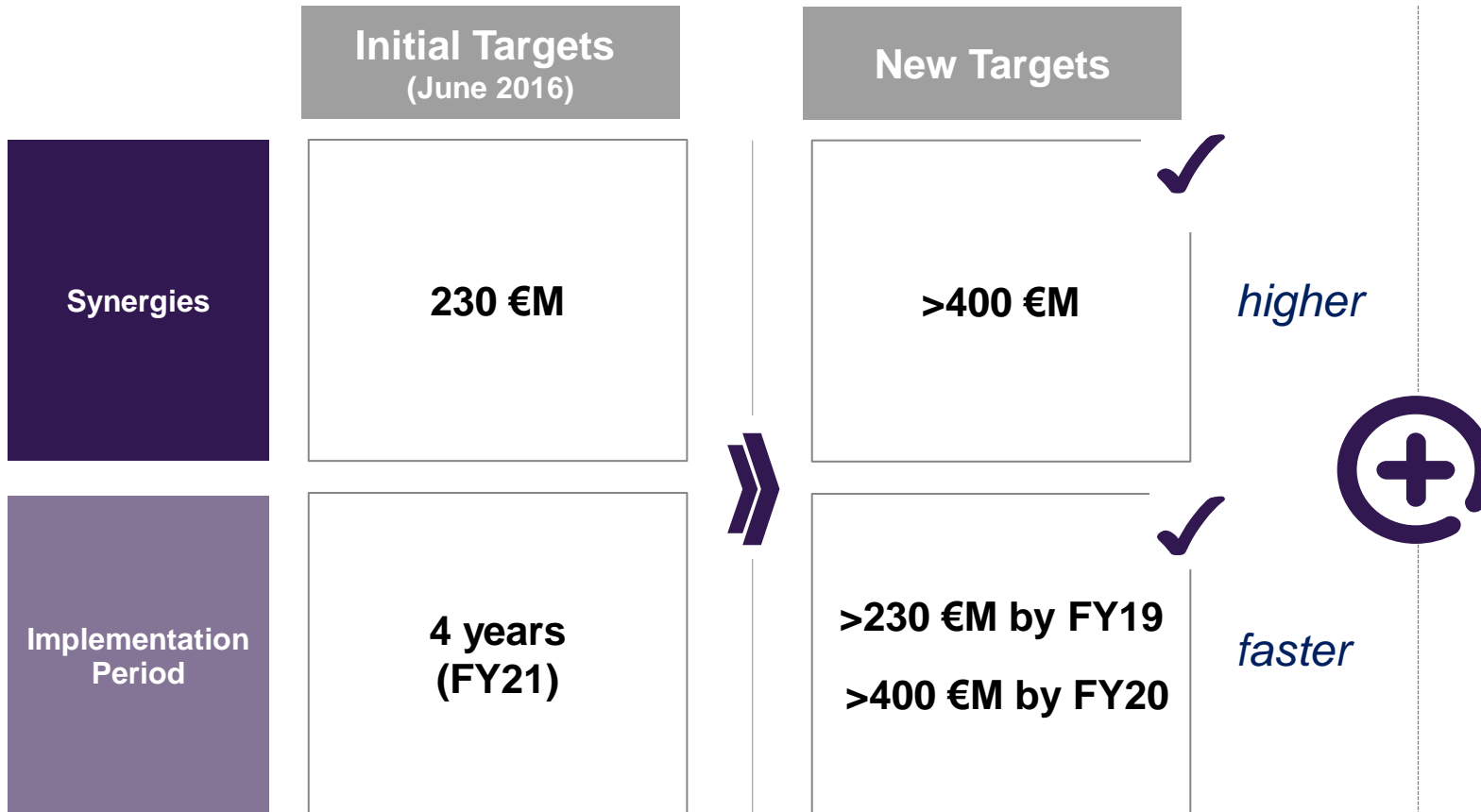


Swept Area Increase: 21%
AEP Increase: >21%

Offshore



Synergy targets increased and accelerated – Transformation program launched



Agenda - On Track to Global Leadership

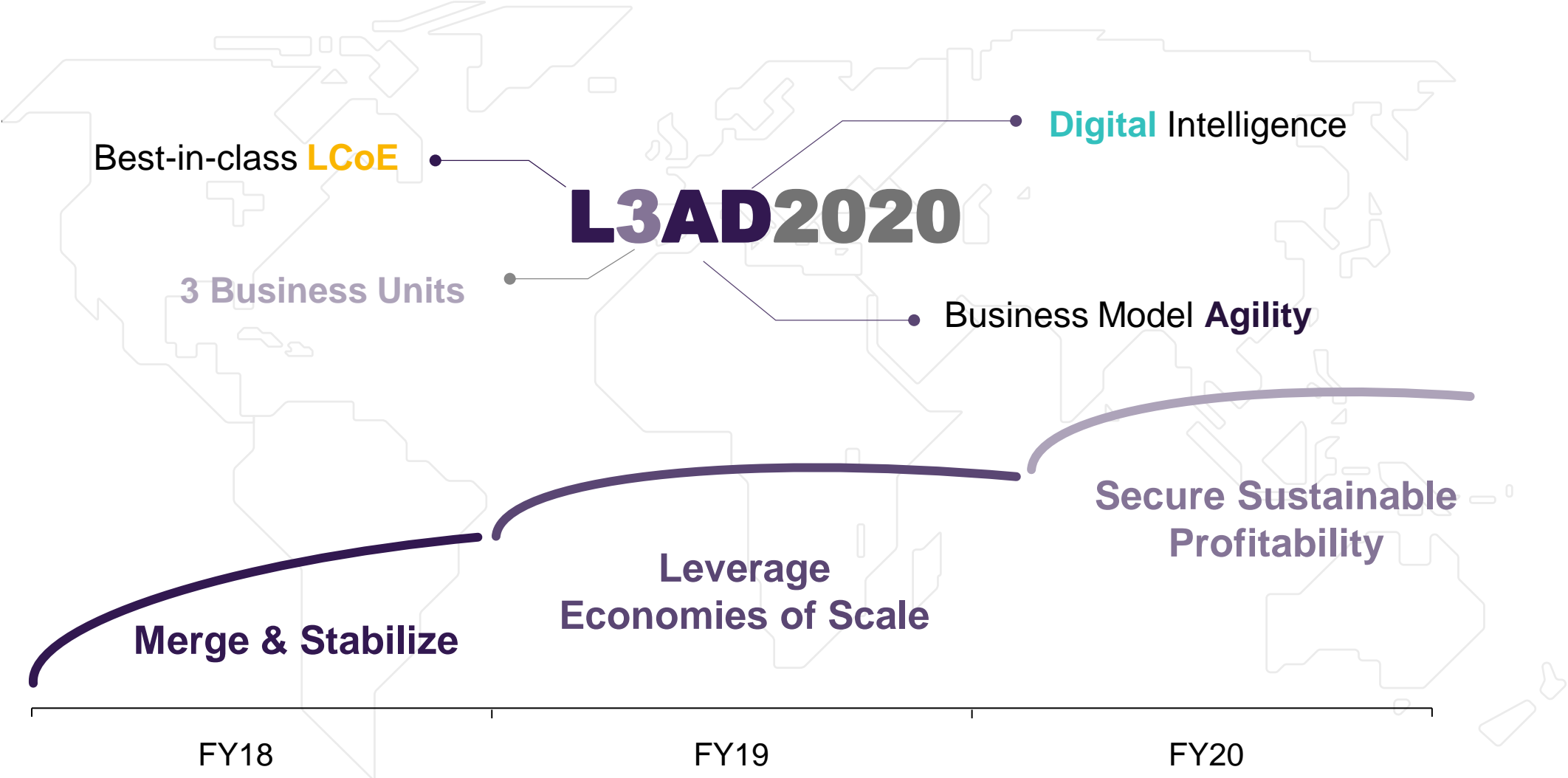
1 Sector Overview

2 SGRE Unique Proposition

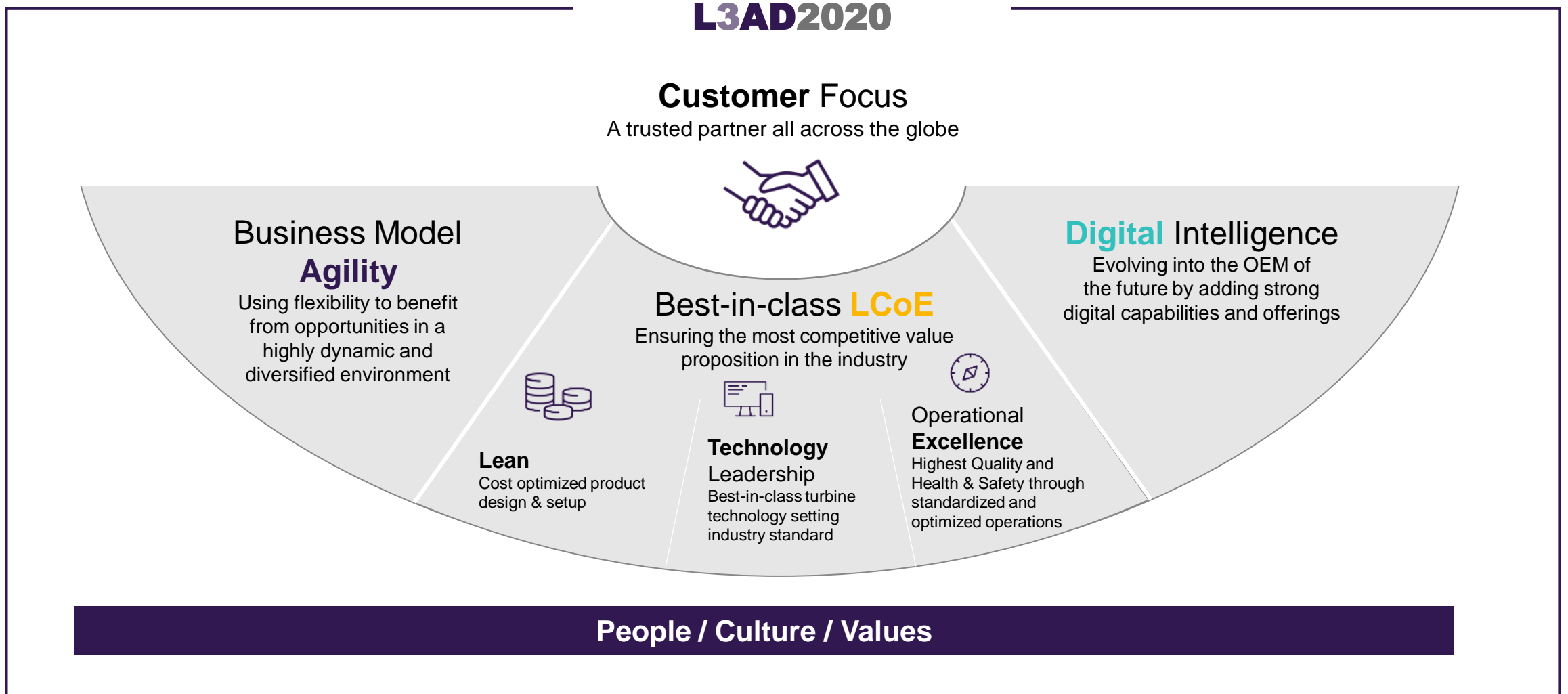
3 L3AD2020 Program

4 Beyond FY18 Targets

On track to global leadership: SGRE's L3AD2020 program



Key strategic levers: Business Model Agility, Best-in-Class LCoE & Digital Intelligence



Cost reduction initiatives with ~2 €B target by 2020

Overview of key strategic measures


1



Product Affordability¹

- **“One technology per segment”** streamlining the product portfolio
- **>20% third party spend cost reduction** by 2020 through scale and optimized product specifications


2



Operations

- **Increase production in lower-cost countries** & footprint rationalization based on changing **demand dynamics**
- Apply respective **operational excellence** of legacy companies to SGRE businesses

3



SG&A and Others

- **Consolidation of regional headquarters**
- **Workforce optimization and offshoring** in R&D and support functions

Streamlined product portfolio sets the foundation for cost reduction and competitiveness

One technology per Business Unit in mid-term...

...targeting **simplified** offering structure...

...with **streamlined** merged portfolio



Geared

2 product lines with modular design

25 variants reduced to 9



Direct Drive

1 platform

Geared turbines (incl. Adwen) to be **discontinued**

- ✓ Full coverage of market segments
- ✓ Synergetic and simplified approach to product portfolio
- ✓ Best practice exchange for shared technologies
- ✓ Technology and Procurement collaborating to reduce costs

Flexible global business model and go-to-market strategy to maximize growth potential

Main examples



Positioned to explore profitable opportunities in adjacent business fields

Project examples



Upstream

- **>1,500 inverters** installed
- Track-record **since 1993**

Downstream

- **>400MW** orders
- Track-record in India since **2013**

Hybrid

- **India's first** large commercial **hybrid** project



Hamburg test facility

- SGRE investing in R&D and prototypes of **thermal storage**
- **Technology under development** with Hamburg Energie
- Close to **50% efficiency**, as a **low cost energy storage** for large amounts of energy



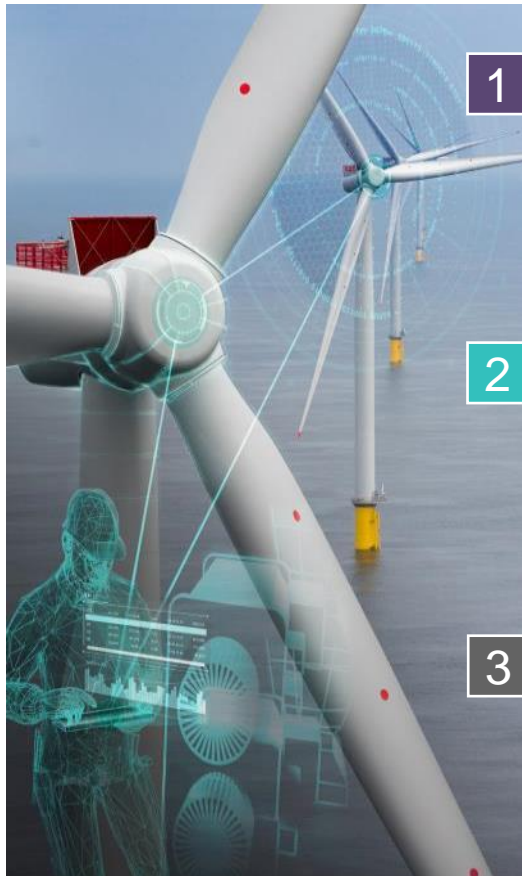
La Plana project

- Investing in **offgrid solutions since 2014**
- Combination of wind, solar, storage (and diesel generators) – managed with own hybrid controller
- Test plant “**La Plana**” commissioned in 2016

Digitalization will transform the way SGRE builds and operates wind turbines

SGRE digital vision

Customer Value



1 Design through installation



Enabling **higher efficiency** and **lower cost** along the **whole value chain**

2 Maintenance



Self diagnostics and **predictive maintenance** as new **standard**

3 Operation



Real-time park optimization between **yield** and **life-time cost** based on **site** and **energy market environment**

Reduced **CAPEX** & **shorter time to operation**

Enhanced production while reducing **OPEX**

Optimized **value to cost ratio** fitting new customer/country specific requirements

SGRE has the best foundation to be the digital leader in the industry

>28,000 turbines
monitored 24/7



First OEM to
include remote
diagnostic sensors
in wind turbines



190,000 turbine
years of insights



**Two remote
control centers**
with global
coverage



400 data sensors
per turbine in use



NEM joint venture:
SGRE+NEM analytic
capabilities for own
and 3rd party WTG



21 trillion values
stored weekly

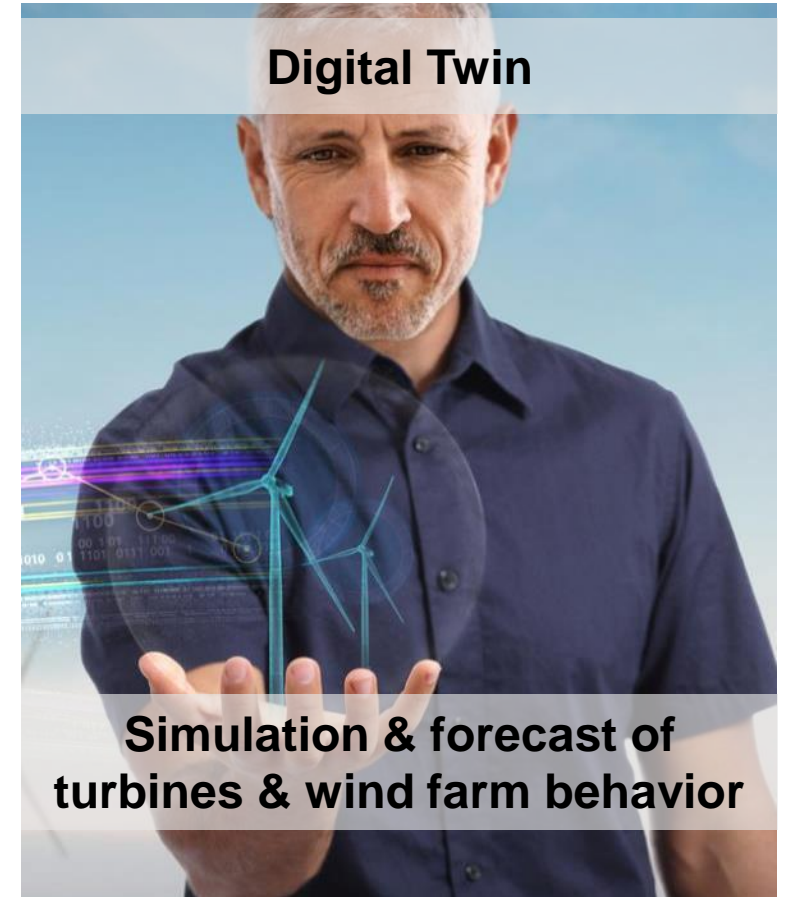


**One dedicated
team** for
implementation of
digital solutions



SGRE is continuously strengthening its digital capability

Selected examples

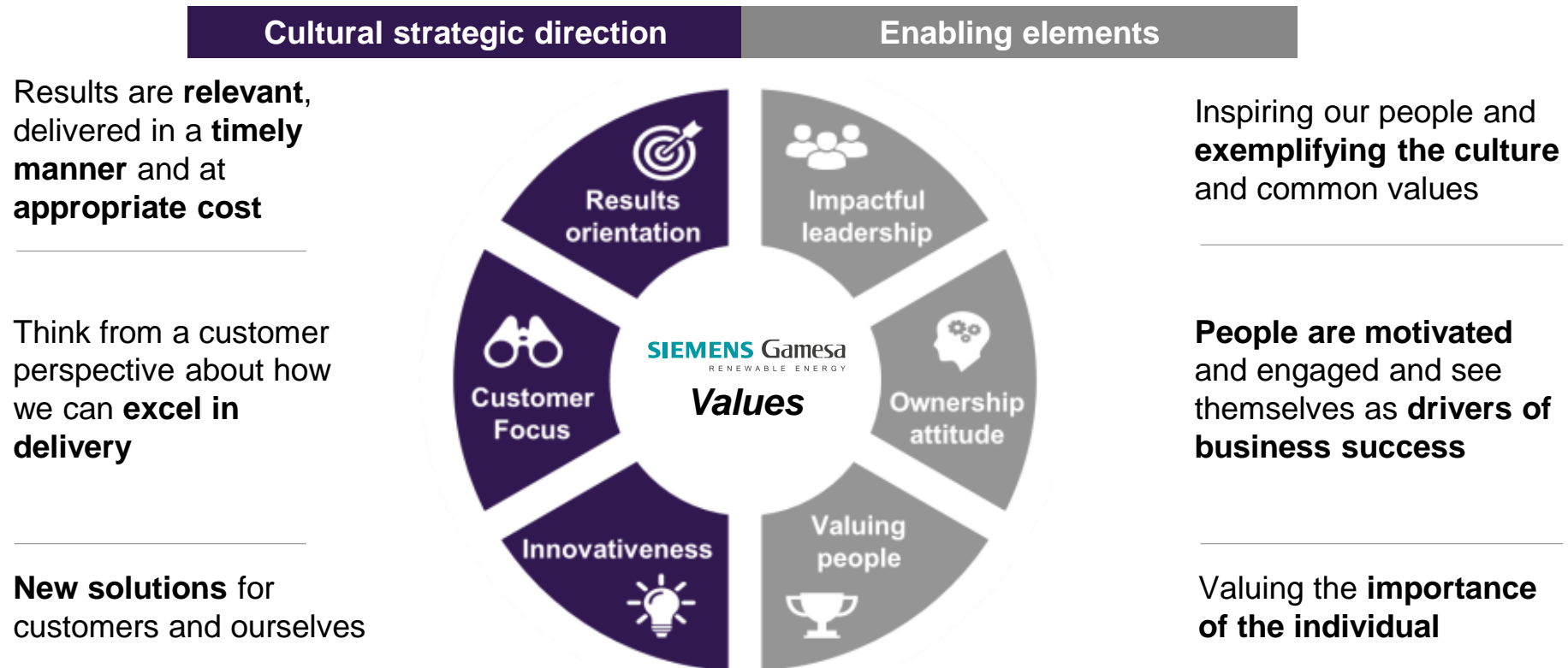


We translate massive fleet data into internal efficiencies and customer value

People, Culture and Values are the foundation for realizing our vision

Vision: *Be the global leader in the renewable energy industry driving the transition towards a sustainable world*

Mission: *We make real what matters, clean energy for generations to come*



Agenda - On Track to Global Leadership

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SGRE has set clear profitable growth targets for 2020



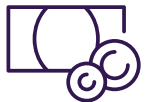
Top line growth: faster than the market in MW and EUR



8-10 % EBIT margin excl. PPA, integration and restructuring costs



CAPEX < 5% of sales



Positive cash flow generation every year



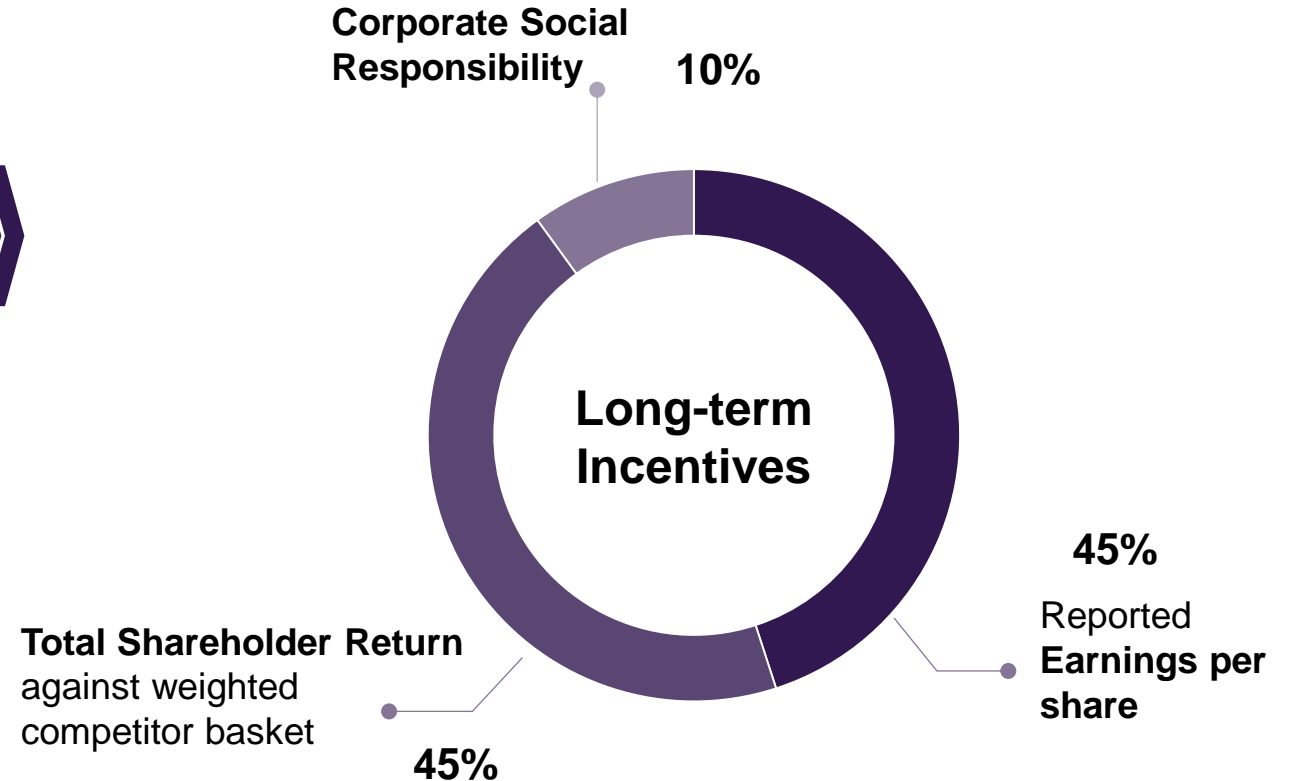
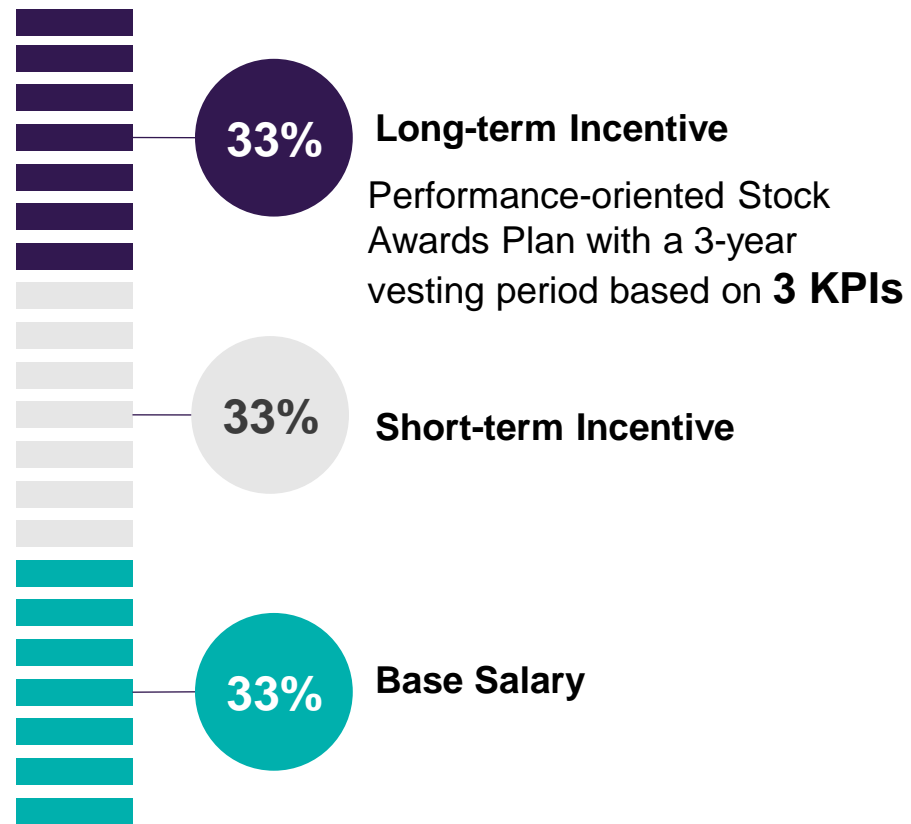
8-10% ROCE: enhance capital efficiency



25 % of net income as dividend policy

Executive Management compensation scheme aligned with shareholder value creation

Executive Management compensation



L3AD2020



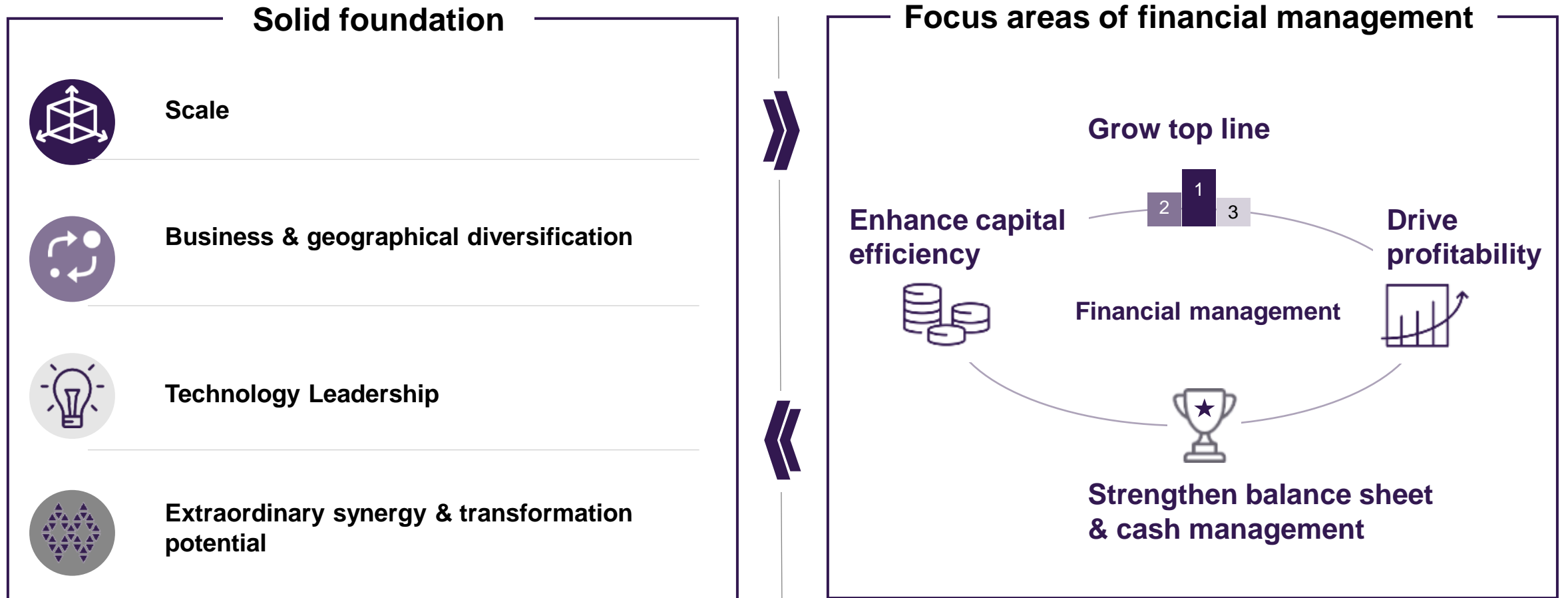


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Financial Outlook

Miguel Ángel López: CFO

Value creation is enhanced by focused financial management



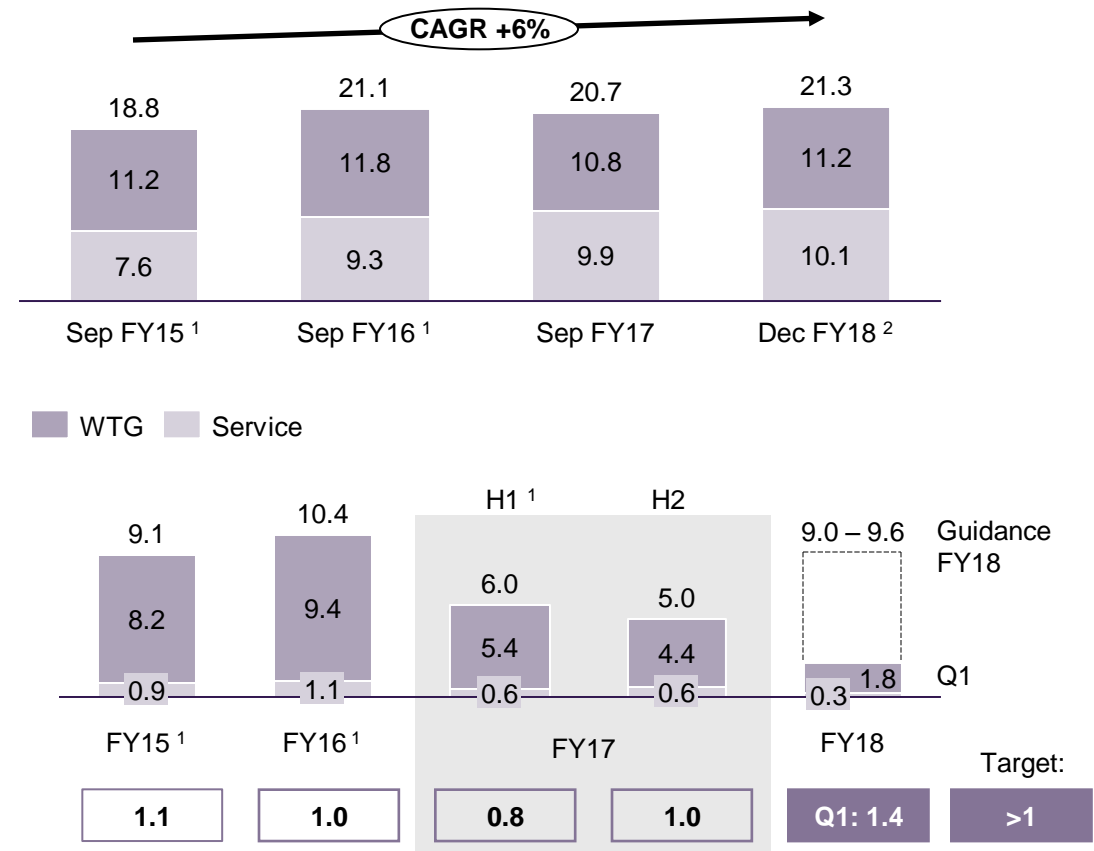
Market position translates into strong order intake, backlog and revenue development – targeting a book-to-bill ratio >1

Market position

- SGRE ON** to increase market share
- SGRE OF** to retain market leadership
- SGRE SE** to outgrow market



WTG BtB³



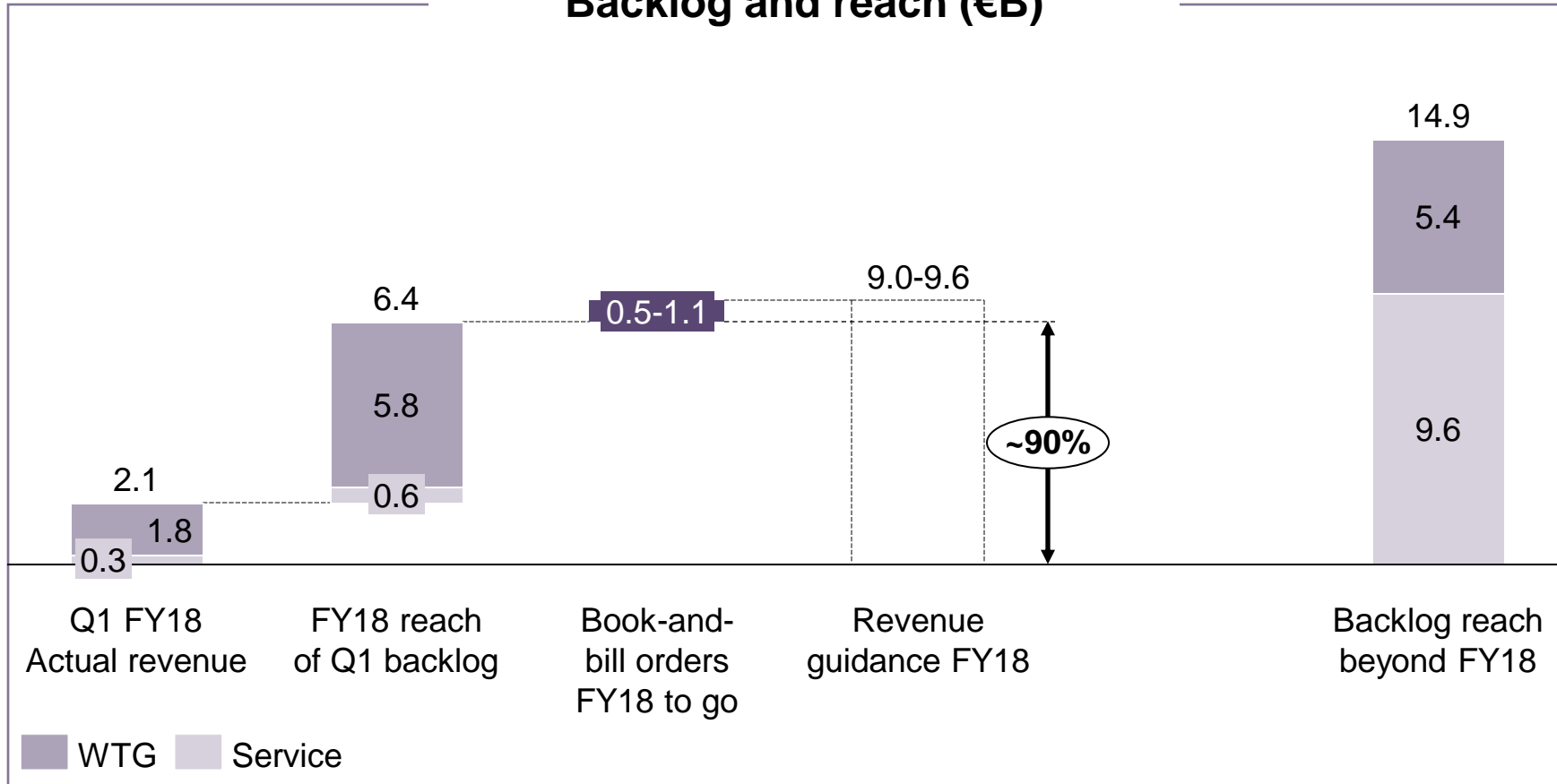
1) Financial data prior to April 2017 corresponds to non-audited pro-forma data

2) Group order backlog of 21,333 €M at the end of December 2017 is split in Onshore 3,947 €M (vs. 3,759 €M reported in Q1 18), Offshore: 7,237 €M and Service of 10,150 €M (versus 10,338 €M reported in Q1 18). There was a carry-forward reclassification of 188 €M to Onshore that was accounted for in Service.

3) Book-to-bill: order intake in MW/ volume of WTG sales (MWe)

Current order backlog secures revenue in FY18 and beyond

Backlog and reach (€B)



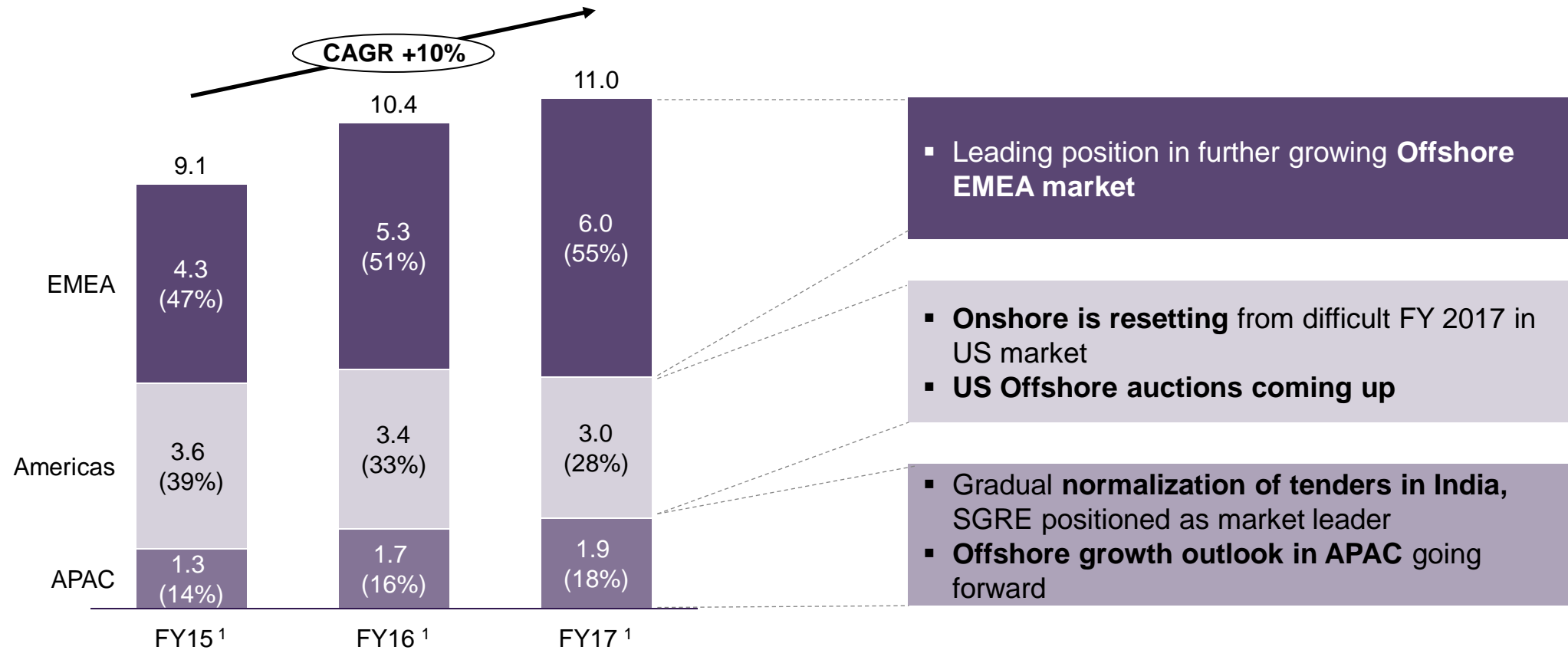
Business situation

- **Offshore and Service:**
Typically high levels of backlog
- **Onshore:**
Solid order book FY18

Leading position in Offshore EMEA, important Indian market is normalizing and US catch-up envisaged

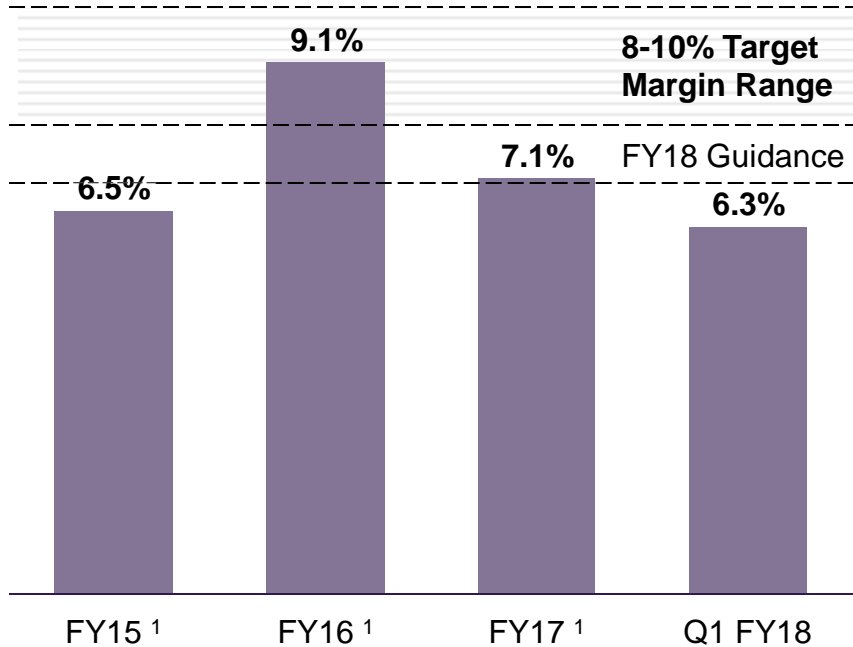
Revenue per region (€B, according to customer location)

Highlights for further development

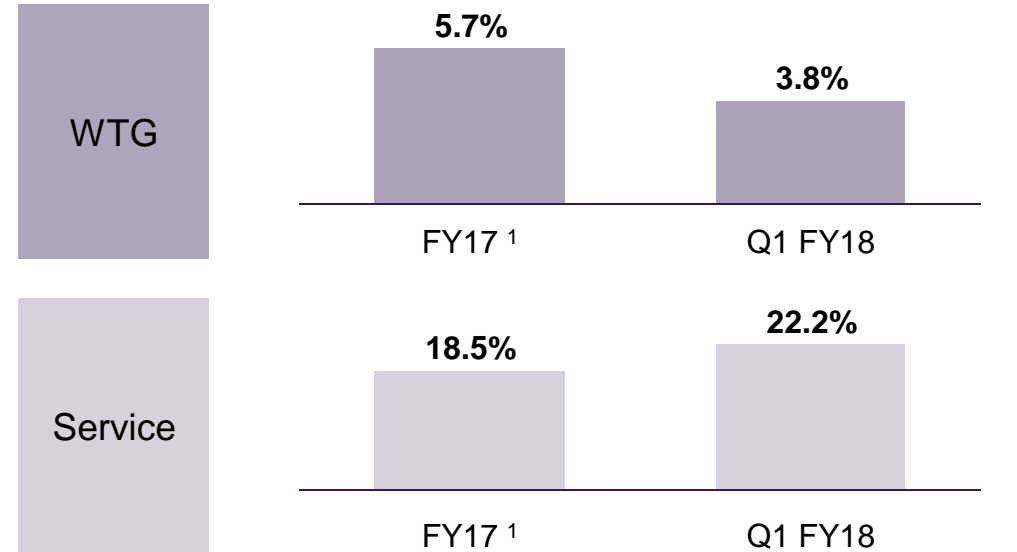


EBIT margin set to recover – striving for 8% to 10% target margin range

EBIT Margin excl. PPA and I&R costs

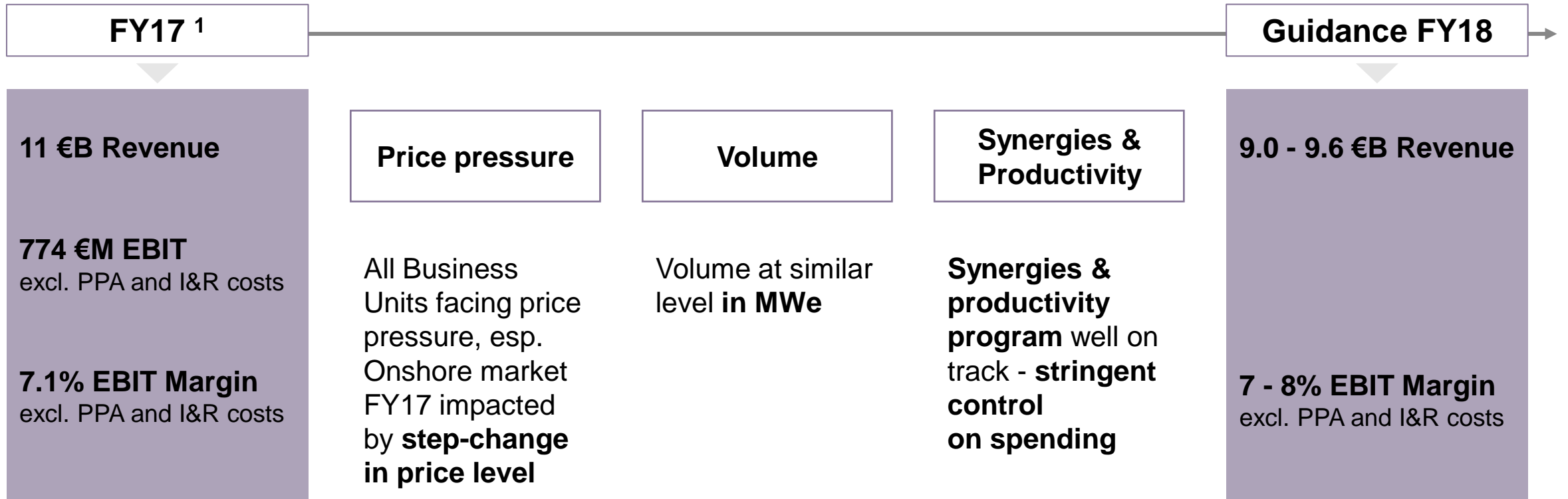


Breakdown by segment

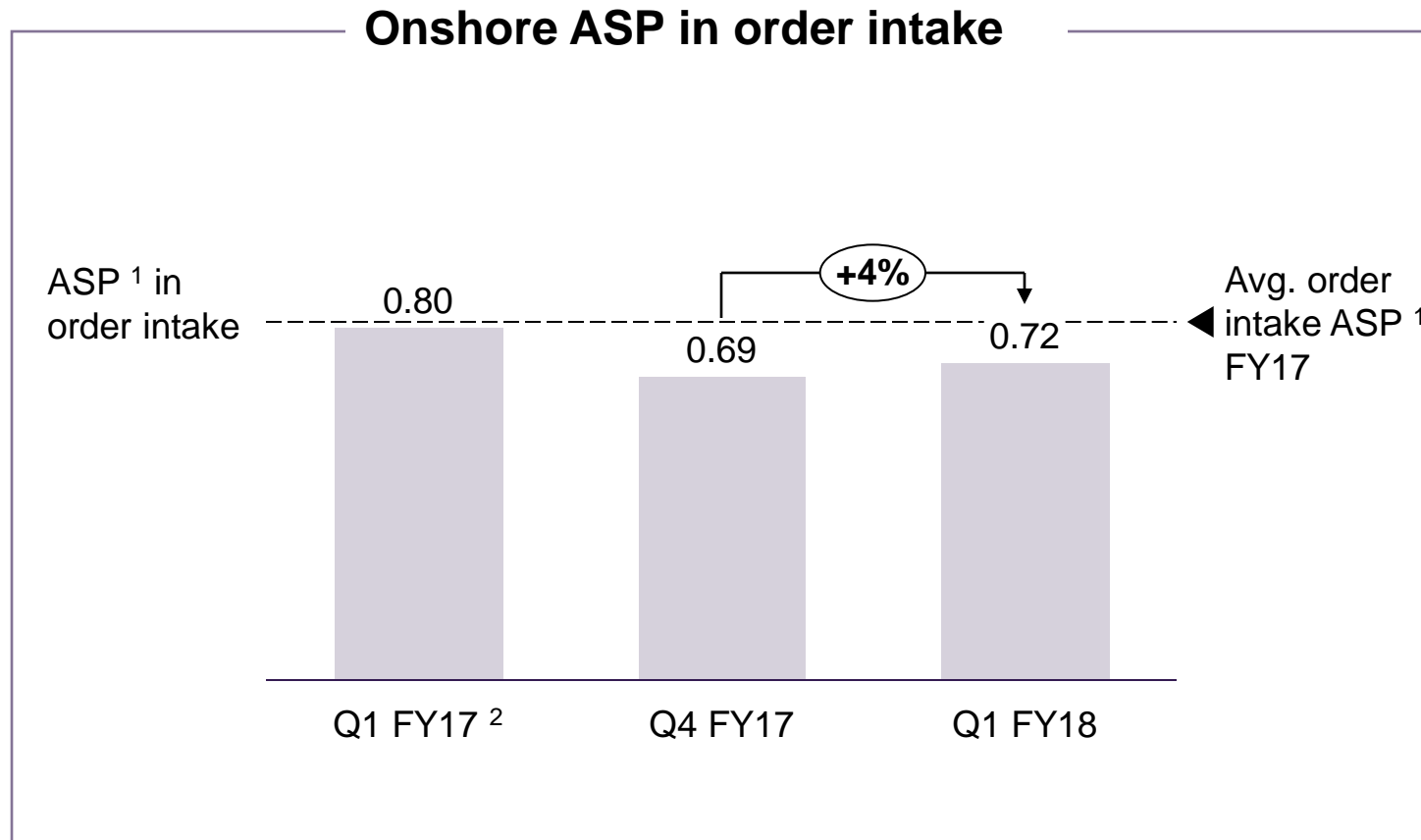


- **H2 FY18** expected to profit from **ramp-up of synergies** and **recovery / catch-up in key markets**
- **Strong service margin** profits from **continuous cost-out to optimize margin** in backlog and new orders

Guidance confirmed for transition year FY18



Onshore market FY17 impacted by step-change in price level – stabilization of price development expected over the course of FY18

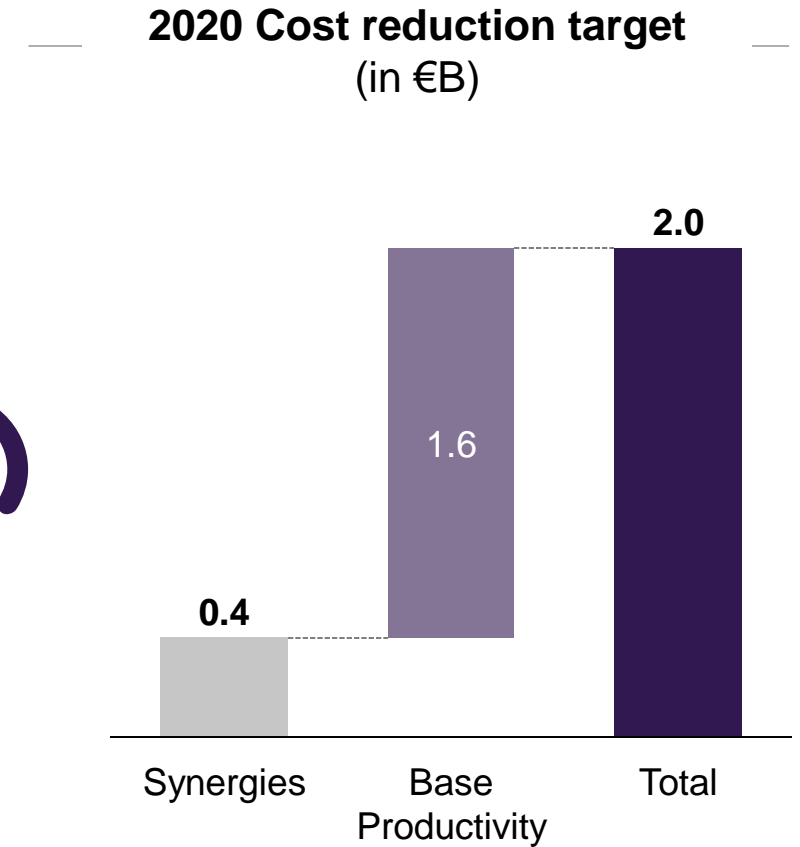


Trends

- Strong **pressure on ASP in order intake** during FY17, especially in **Q4**, as auction systems were rolled out
- ASP in **Q1 FY18 order intake** showing first signs of **stabilization**

Synergy targets increased and accelerated – Transformation program launched

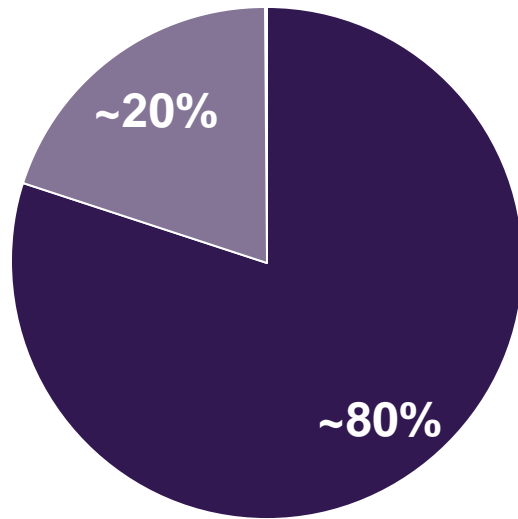
	Initial Targets (June 2016)	New Targets
Synergies	230 €M	>400 €M <i>higher</i>
Implementation Period	4 years (FY21)	>230 €M by FY19 >400 €M by FY20 <i>faster</i>



L3AD2020 cost saving goes far beyond synergy

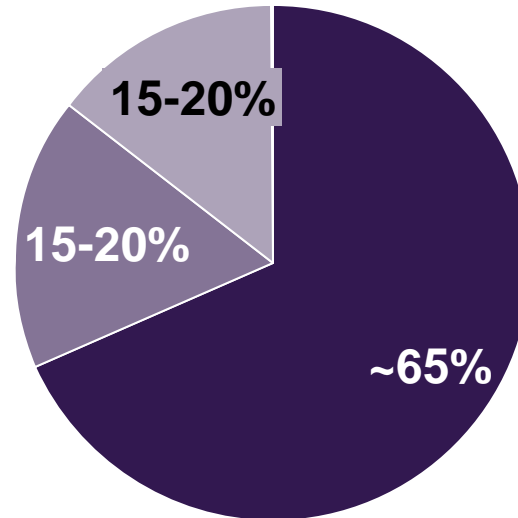
Split by

Category



■ Base Productivity
■ Synergies

Functions



■ Product Affordability
■ Operations
■ SG&A and Others



Key levers

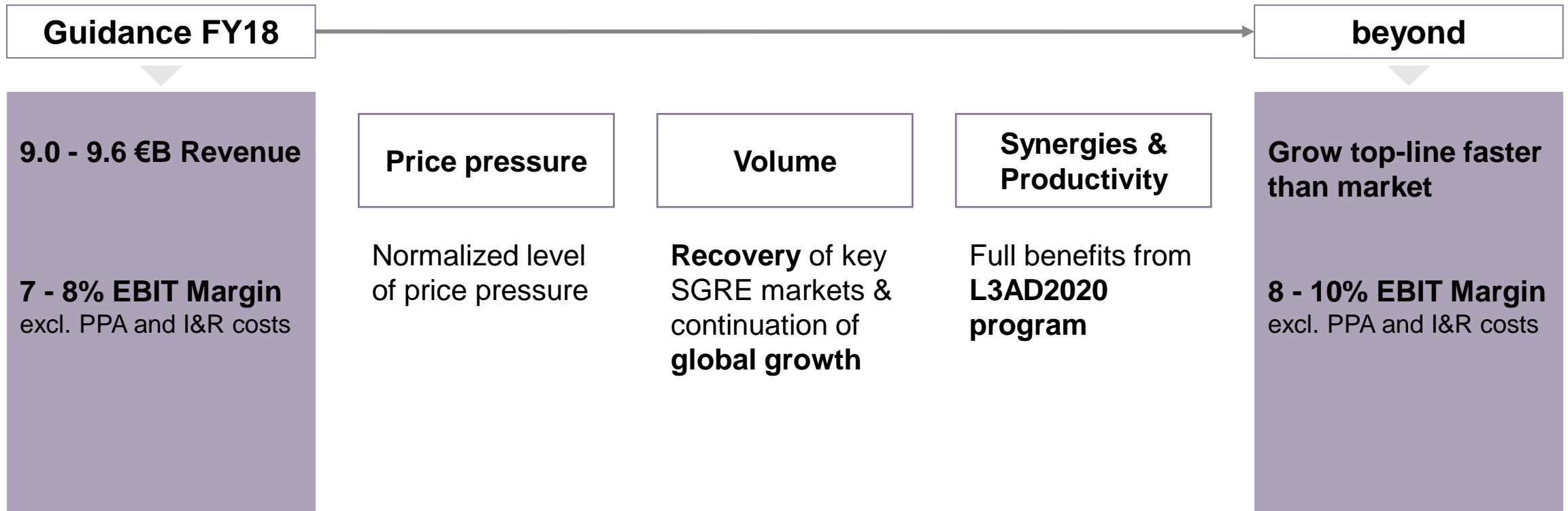
- **Product Affordability:**
~20% cost savings on total procurement volume driven by design-to-value, volume and other procurement measures
- **Operations:**
Global footprint optimization (incl. factory restructuring) & operational excellence
- **SG&A and Others:**
Restructuring of administrative functions to avoid redundancy and resizing of R&D based on streamlined portfolio

~2 €B cost reduction program

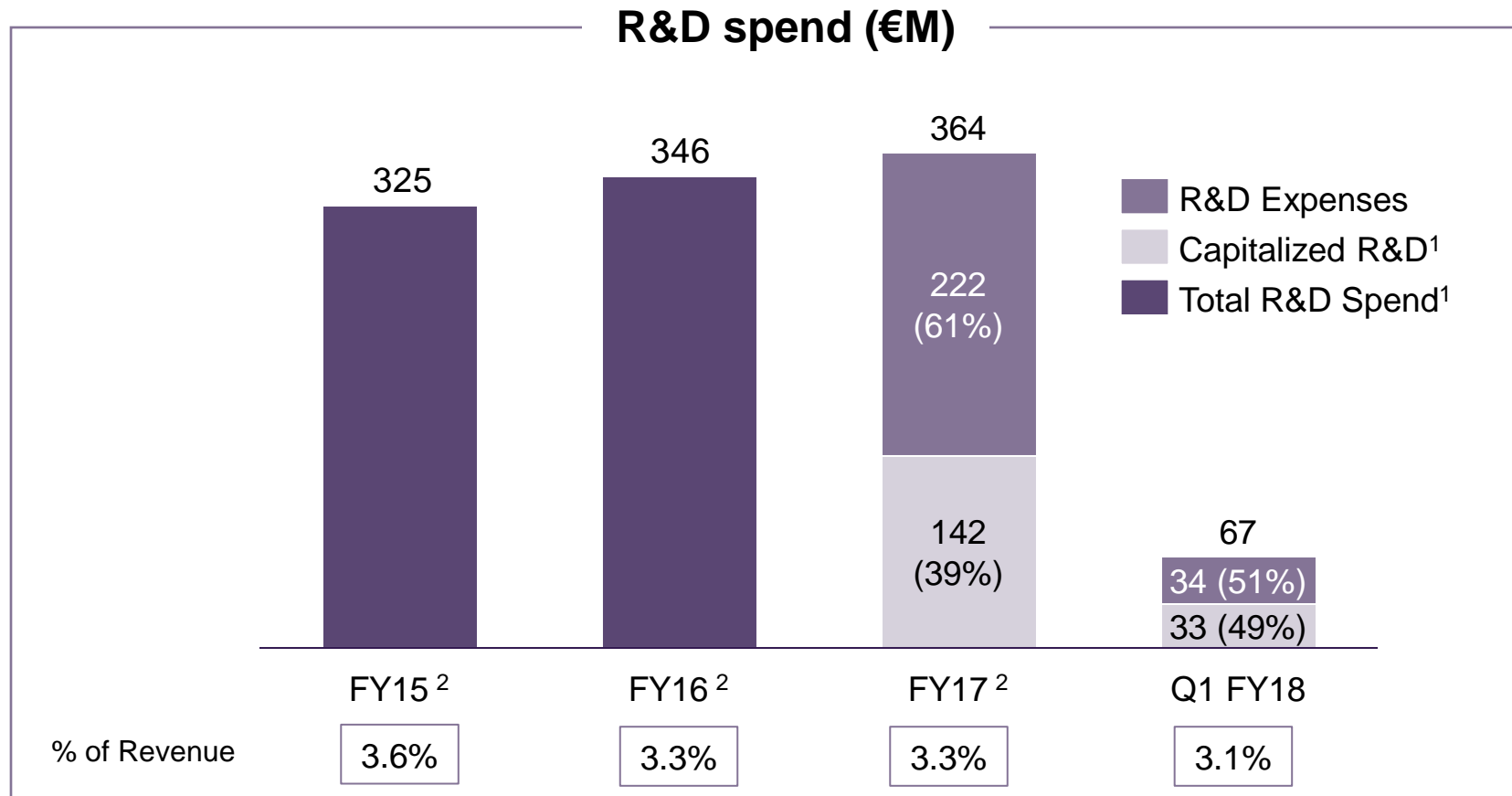
One-time costs to go¹

Integration and restructuring costs: ~270 €M

Margin expansion will be driven by volume growth, strong productivity and synergies



Technology leadership: One-platform concept streamlines R&D effort and digitalization as key lever



Going forward

- **One-platform concept** implemented for Onshore and Offshore
- **Digitalization** will increasingly shape R&D agenda

Targeted upgrade of production facilities is widely completed – targeting CAPEX < 5% of revenues and reinvestment rate ~1



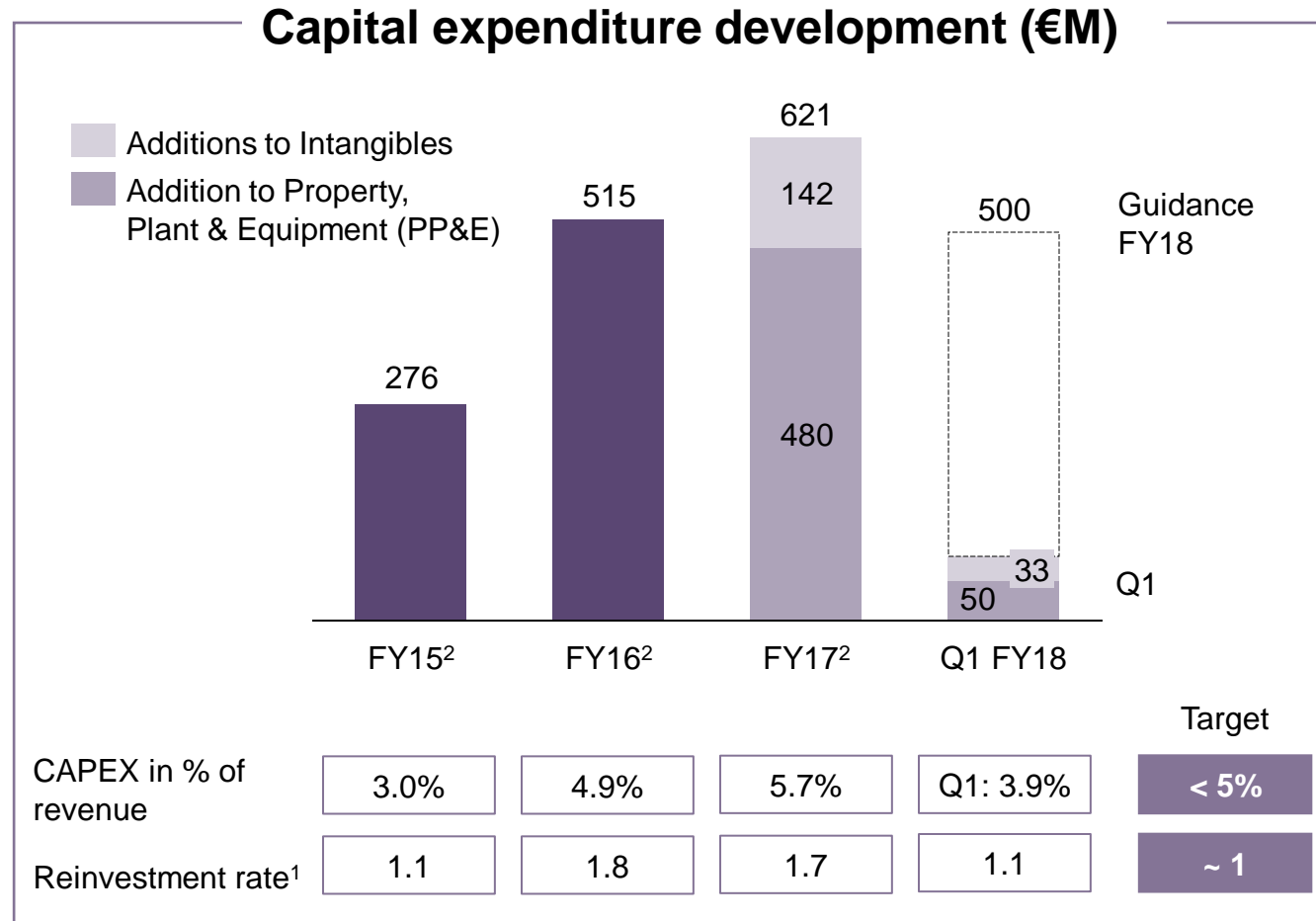
Inauguration Onshore Blades Factory, Tangier



Inauguration Offshore Blades Factory, Hull



Offshore Nacelles Factory, Cuxhaven

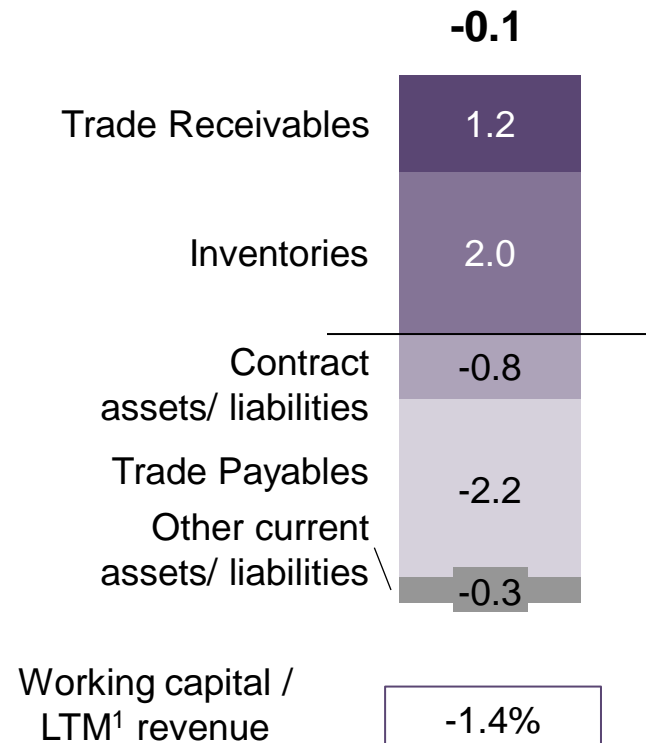


Going forward

- **PP&E CAPEX** expected to **decrease** as major footprint investments achieve completion
- **Stringent control** over planned and actual spending

Stringent management of working capital to keep value below maximum of 2% of revenues throughout the cycle

Working capital Q1 FY18 (€B)



Focus and control on working capital management

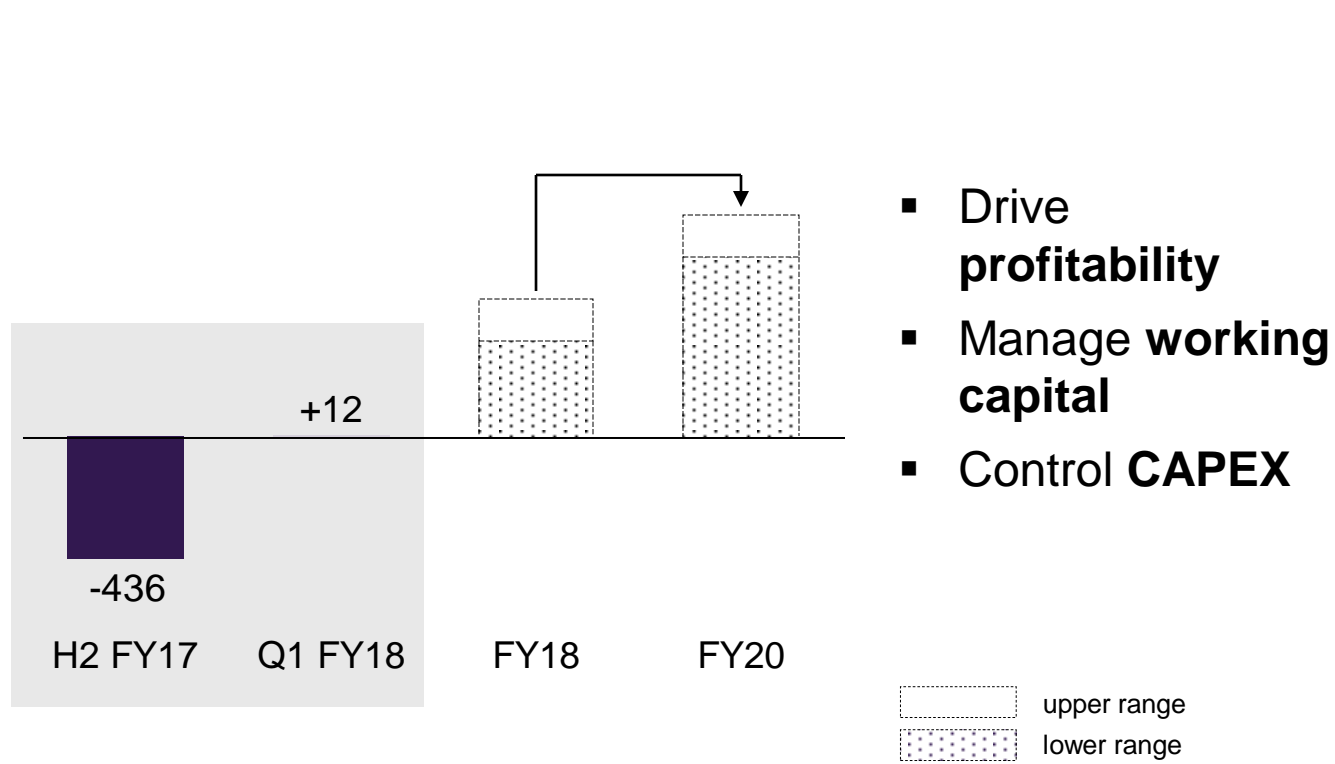
- Establishment of weekly “cash calls” on a broad basis
- Receivables and inventories monitored closely
- Strong focus on payment terms

Targets

- FY18 Guidance: **between +3% and -3% of revenue**
- Beyond FY18: **< 2% of revenue throughout the cycle**

Committed to sustainable turnaround in cash development

Net Cash Variation excl. Adwen related payments (€M)¹



Targets

1. **Generating positive cash flow every year**
2. **Cash conversion rate > (1 - growth)²**

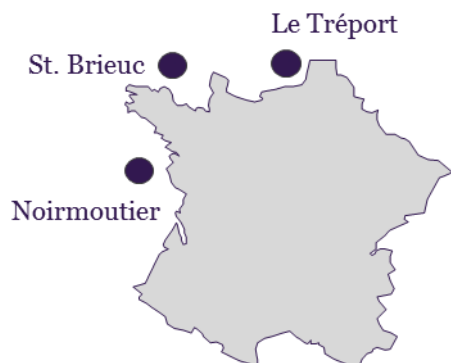
Stringent control on spending related to Adwen

Fast consolidation of Adwen activities into OF



Legacy projects (installed) – Leverage experience

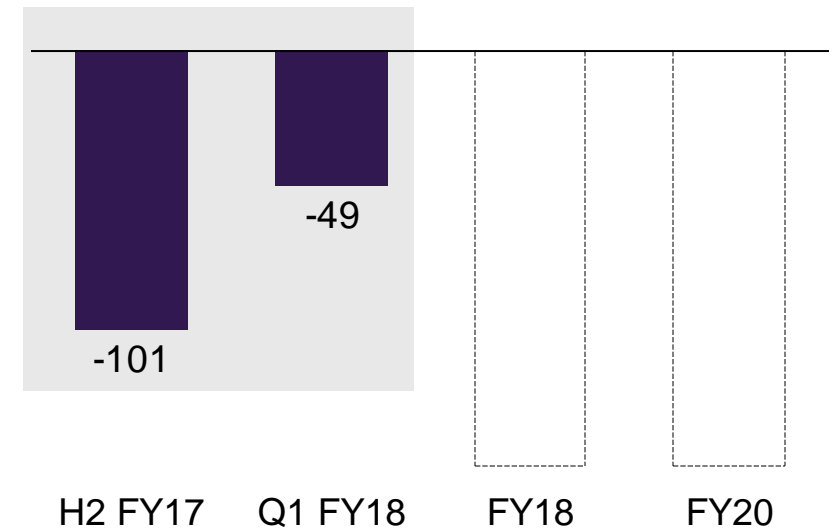
- Successful installation of Wikingier project
- Service fleet strengthened through SGRE Service experts
- Synergies



French Pipeline (to be installed) – Swap to selected direct drive platform

- Consented swap to SG 8.0-167 DD
- Serve projects with strong technology experience
- Global portfolio harmonization
- Drive localization

Adwen legacy cash impact (€M)



Our business is based on a sound balance sheet, and poised for growth

Key balance sheet positions Q1 FY18 (€B)

Fixed Assets
1.5

Net Cash¹
0.3

Goodwill & Intangibles
7.0

Provisions²
(2.5)

Other positions (net)³
0.1

Equity
(6.4)

Total
8.6

Characteristics & targets

Characteristics

- **Sound balance sheet**
- **Strict risk-return policy**
- **Solid foundation for growth**

Targets

- **Keep net financial debt / EBITDA < 1.0x**
- **Reach capital efficiency of ROCE 8-10%**, driven by profitability increase and cash management

Value creation beyond FY18 secured by stringent financial management

Grow top line

- **Grow** in MW and EUR **faster than the market**
- **Book to Bill** > 1 every year

Enhance capital efficiency

- **ROCE** 8-10%
- **Dividend policy:**
25 % of net income



Drive profitability

- **EBIT** margin excl. PPA, integration and restructuring costs: **8-10%**

Strengthen balance sheet & cash management

- **CAPEX** < 5% of sales and reinvestment rate ~ 1
- **Working capital** < 2% of sales
- **Cash conversion rate** (excl. Adwen) > 1 – growth
- **Net financial debt / EBITDA** < 1.0x

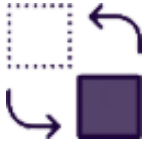


Siemens Gamesa Renewable Energy - Capital Markets Day - On Track to Global Leadership

Integration & Transformation

David Mesonero: Chief Strategy Officer & Chief Integration Officer

Integration on track, overachieving on synergies – ambitious transformation launched



SGRE post merger integration fully on track with synergy target almost doubled



L3AD2020 program started: “**LCoE, Agility and Digitalization**”



L3AD2020 includes cost reduction target of **~2 €B by 2020**, including **synergies** and **productivity improvements**




Cost reduction initiatives focused on **Product Affordability, Operations** and **SG&A**





People & Culture as a key pillar. **Change Management** program launched

Robust integration process in a transitioning sector

SGRE mobilized for integration...

>200 people regularly involved in integration workstreams 

>20 integration workstreams created to perform all integration related activities 

SGRE regions involved in integration through in-country roadshows 


...following a rigorous and structured process...


Weekly updates to track and support workstreams progress 


~1,600 tasks in masterplan being monitored 

>700 bottom-up synergy initiatives identified 

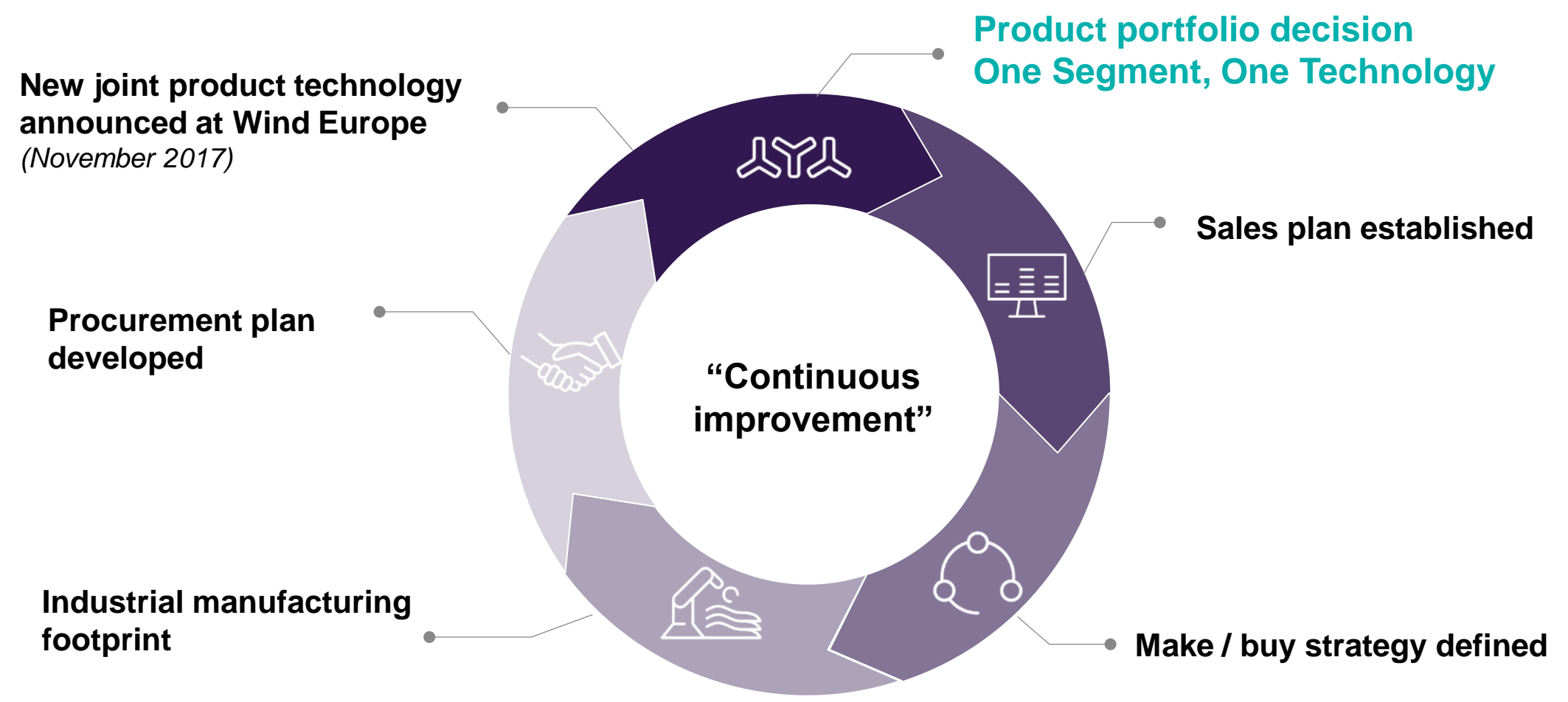
...with significant progress on all integration fronts

>90% of integration decisions taken, with all key business decisions closed 

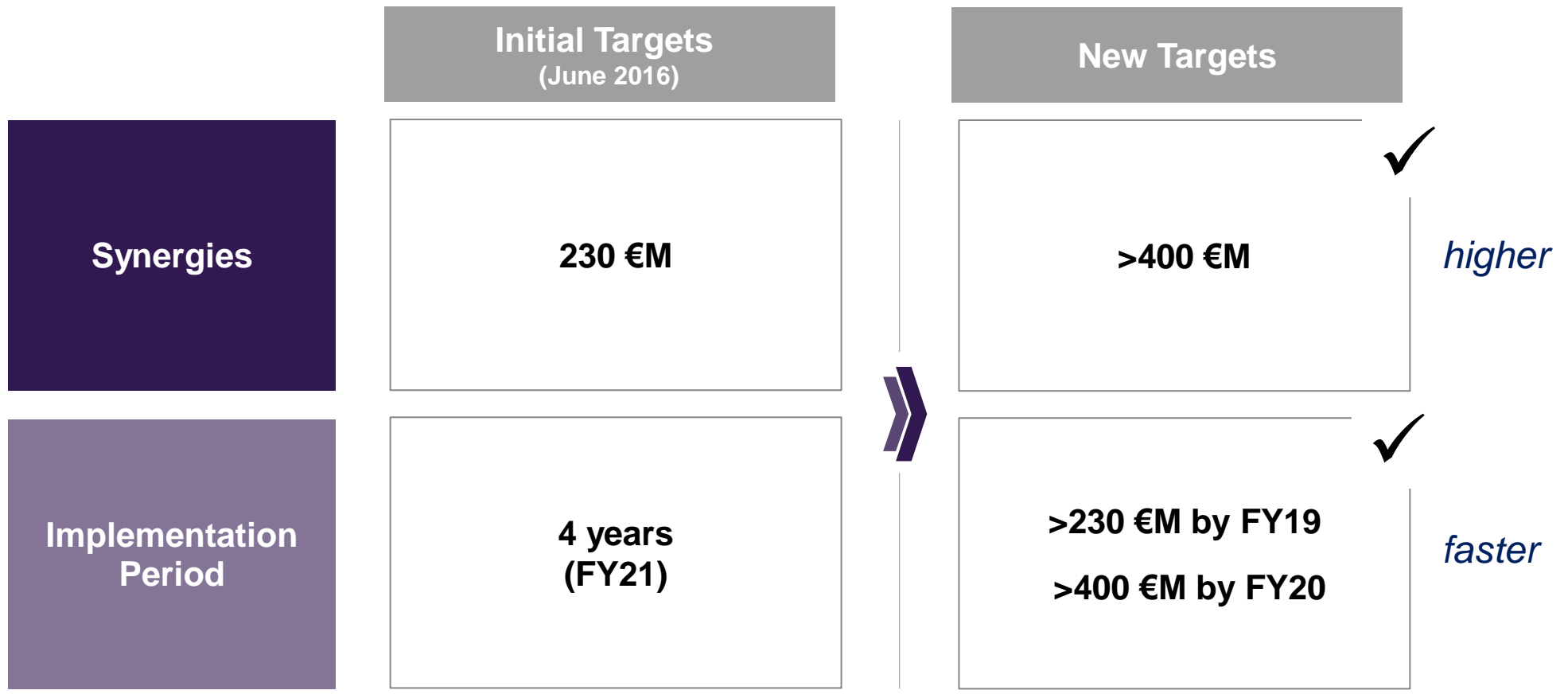
Synergy ambition almost doubled 

Organization in place 

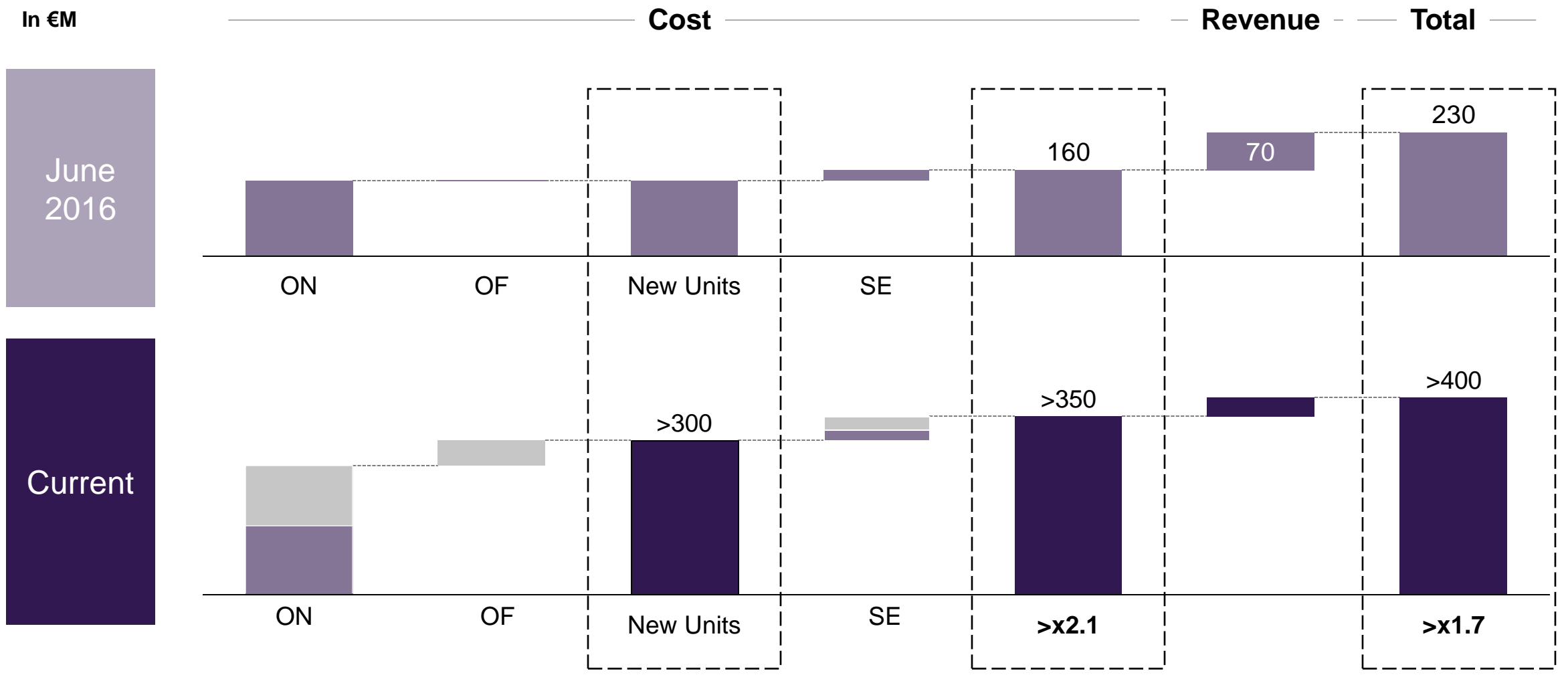
Key milestones achieved: Product portfolio driving major business decisions



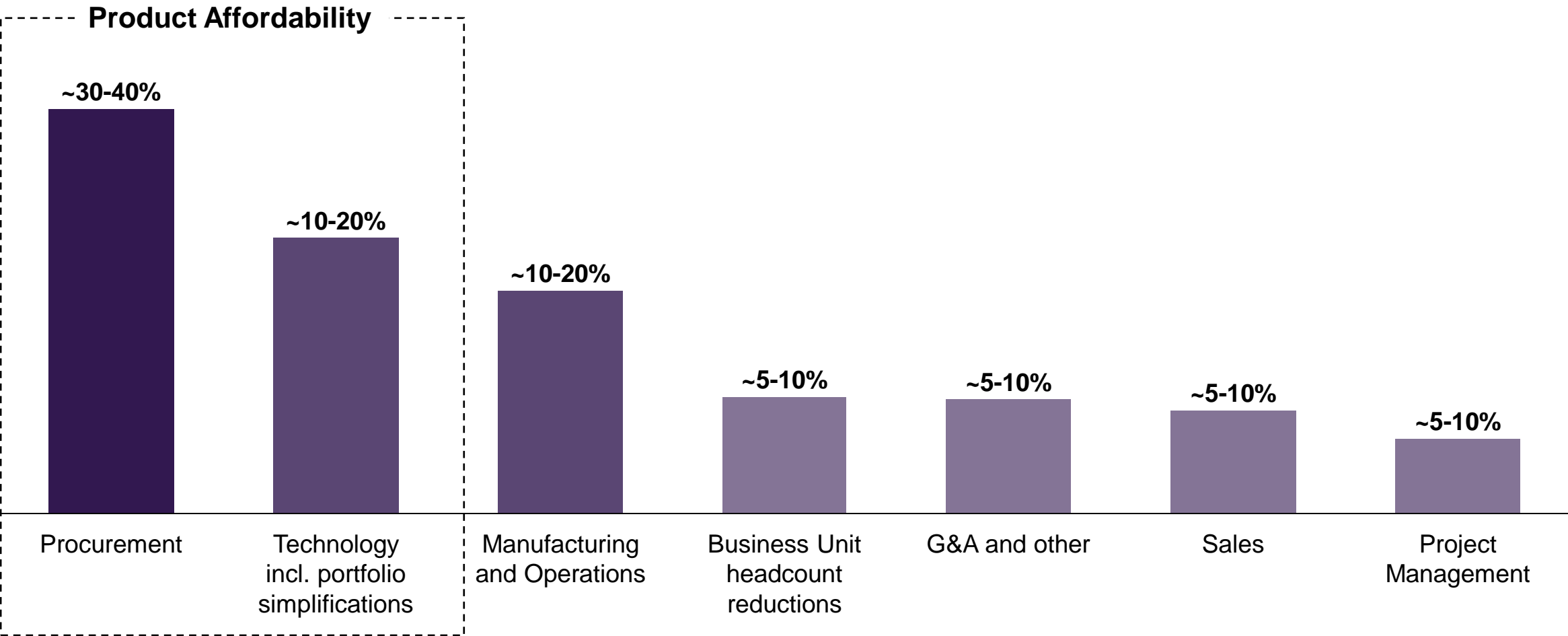
Synergy targets increased and accelerated



Synergy targets mainly driven by cost initiatives



Product Affordability measures represent ~50% of synergies



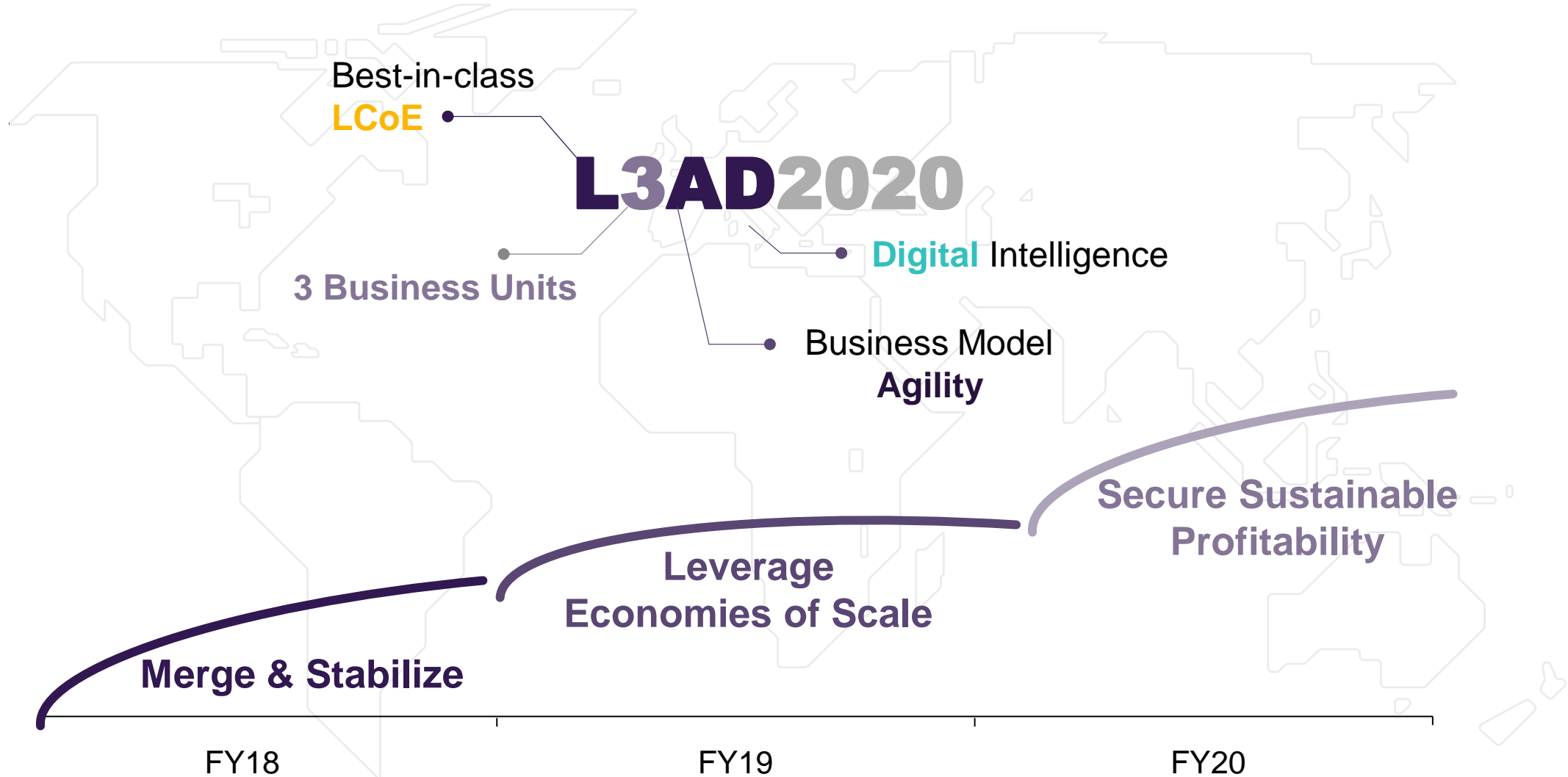
People & Culture as a key pillar. Truly global integration process



Success of the Integration – It is all about people

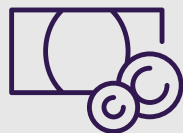


Going beyond integration: SGRE's L3AD2020 program



Leadership in cost control a key pillar of the L3AD2020 program

From integration..



**Synergies of
~400 €M**

Synergy target

- ✓ *Main decisions taken*
- ✓ *Bottom-up exercise completed*
- ✓ *Synergies in implementation phase*



..to transformation: L3AD2020 cost optimization



**Cost
reductions &
synergies of
~2 €B**
(synergies included)

Cost-out target

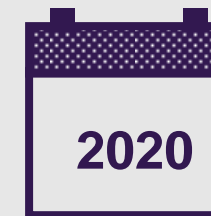
- ✓ *Independent due diligence exercise completed*



**Specifically
appointed
transformation
office**

**Management
Body**

- ✓ *Team in place*



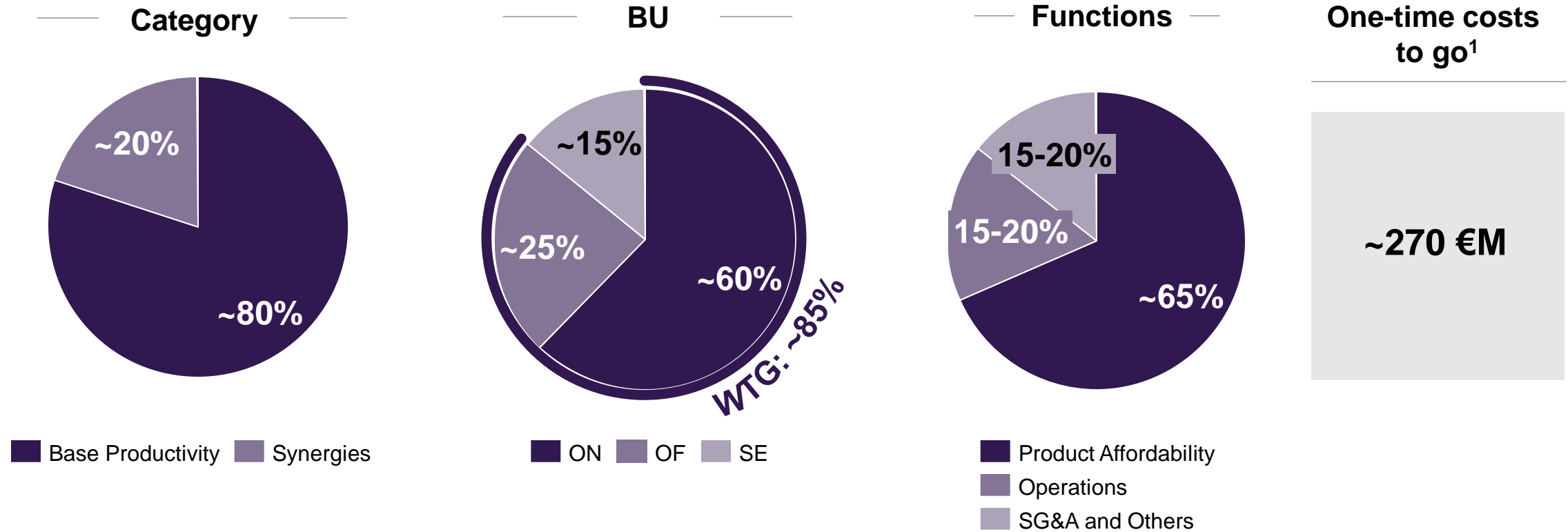
**Within 3
years**

Timeframe

- ✓ *Process started and on track*

Profitability and competitiveness achieved through leading cost management: ~2 €B cost reduction program

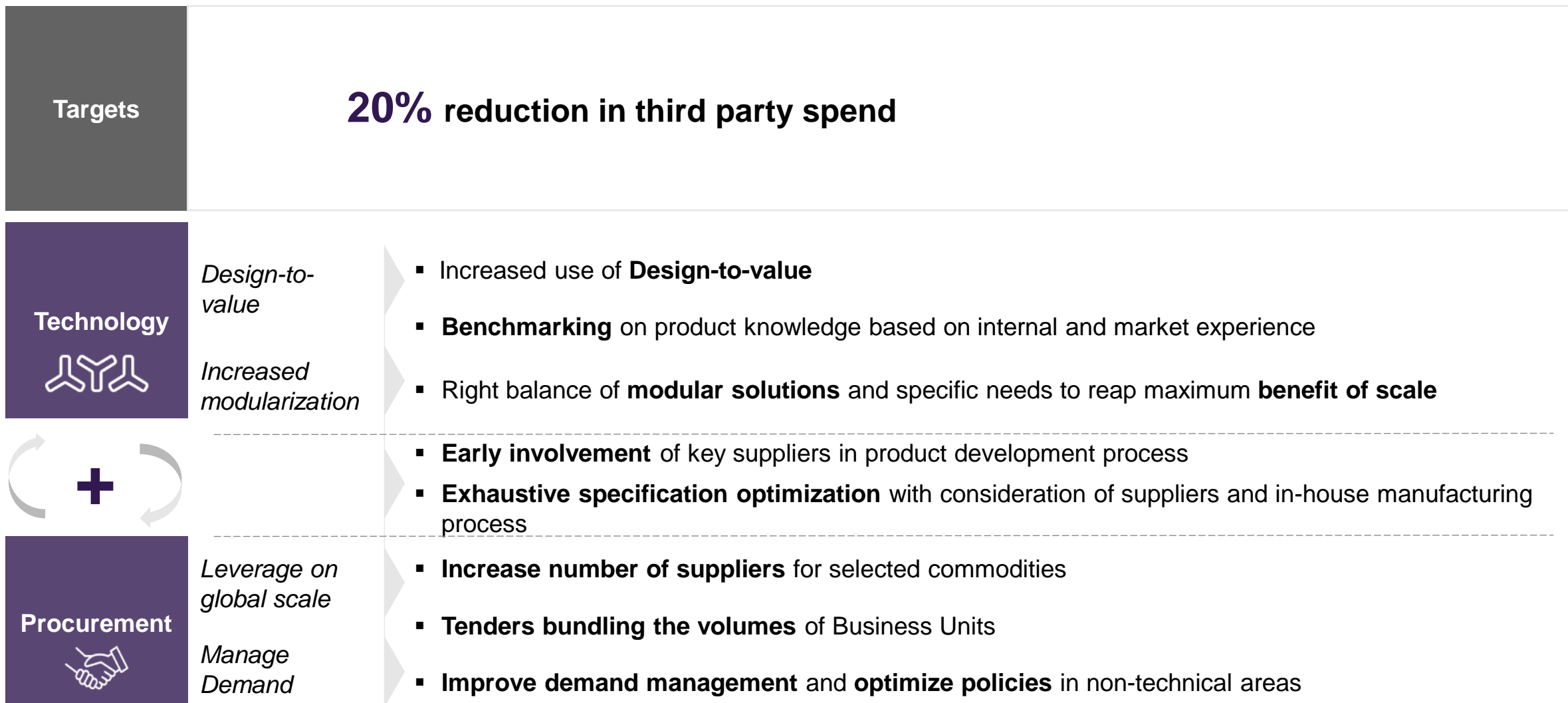
Split by



~2 €B cost reduction program by 2020

© Siemens Gamesa Renewable Energy S.A
1) In addition to ~126 €M spent until Q1 FY18

Product Affordability: ~65% of total cost reduction target by 2020



Product Affordability: Examples

Early supplier involvement

- **Supplier involvement** from design phase e.g. supplier day in London
- **200 supplier workshops with ~150 suppliers**
- Evaluation of **cost transparency** of main cost drivers



Leverage on global scale

- **Integrated global volumes** for Business Units
- Recurring tenders **every 18-24 months** to ensure constant cost reductions
- Goal is to achieve up to **double digit savings**



Operations: 15-20% of total cost reduction target by 2020

Targets	Benchmark operational efficiency in a highly cost-competitive global footprint	
Production 	<i>Footprint rationalization</i> <i>Manufacturing optimization</i>	<ul style="list-style-type: none"> ▪ Facility closure/transfer to optimize proximity to customers ▪ Production shifts to lower cost locations ▪ Increase vertical integration where ever appropriate ▪ Reduce indirect labor across the board
Installation 	<i>Design-to-Cost</i> <i>Optimized execution</i>	<ul style="list-style-type: none"> ▪ Product design incorporates reduced installation costs ▪ Leaner project execution
Service 	<i>Field optimization &</i> <i>Inventory reduction</i>	<ul style="list-style-type: none"> ▪ Reduce turbine visits and shorten duration of minority work ▪ Optimize service execution through digital programs ▪ Inventory optimization via reduction of obsolescence and warehousing space

Operations: Examples

Footprint optimization

- **Announced closure of factories**, e.g. in **Canada, Denmark, Germany and Spain**
- **Increase low cost production footprint**, e.g. in **Morocco and China**
- Optimize manufacturing planning to reduce logistics costs: **Switch part of blade production from Spain to US to serve local market**
- Open **dedicated offshore facilities** close to demand centers, e.g. in **Germany and United Kingdom**

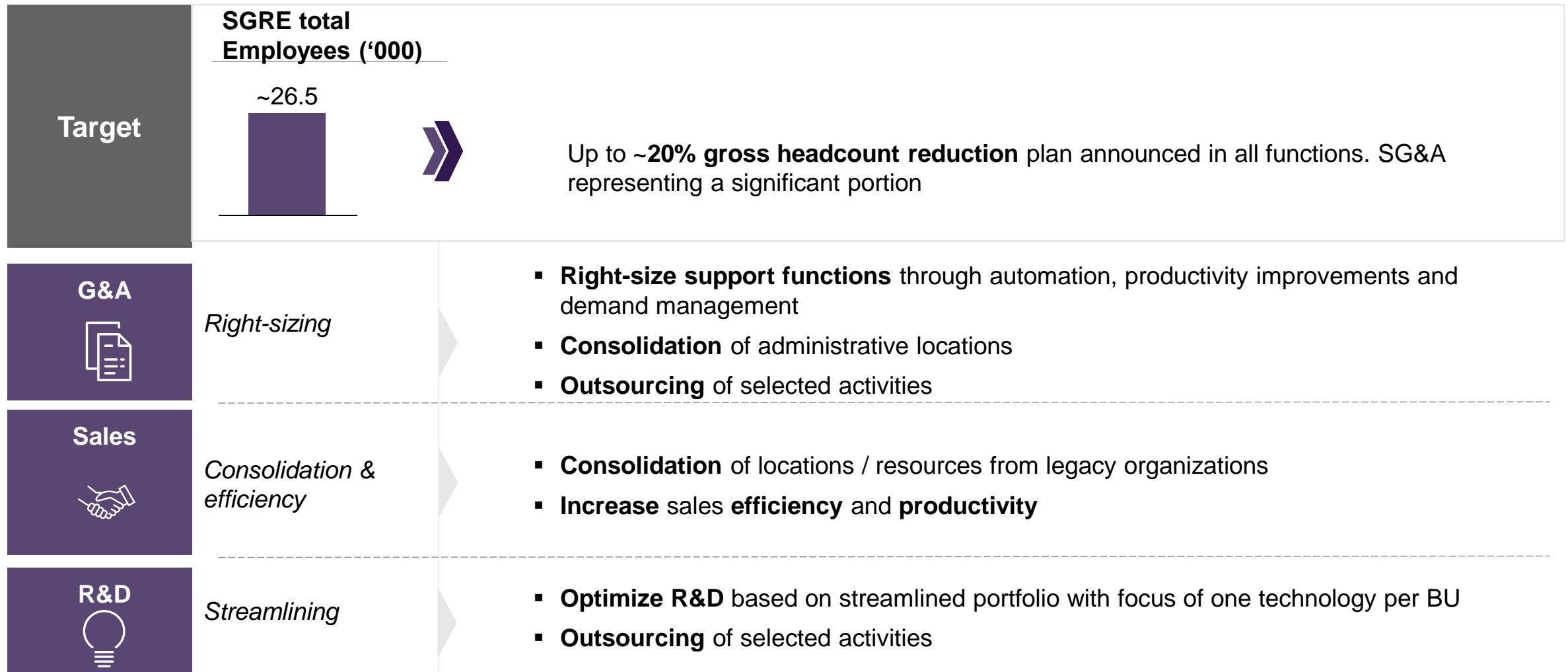


Optimized execution

- Process **stabilization** reducing installation times
- Process **optimization**, e.g. moving activities from harbor to factories
- **Leaner setup** allowing for headcount reduction



SG&A and Others: 15-20% of total cost reduction target by 2020



L3AD2020 program. Change Management program launched



FROM

Integration

“They”

Legacy

Taking

Think

TO

Transformation

“We”

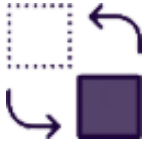
Future

Giving

Act

Empower the people to lead the future

Integration on track, overachieving on synergies – ambitious transformation launched



SGRE post merger integration fully on track with synergy target almost doubled



L3AD2020 program started: “**LCoE, Agility and Digitalization**”



L3AD2020 includes cost reduction target of **~2 €B by 2020**, including **synergies** and **productivity improvements**



Cost reduction initiatives focused on **Product Affordability, Operations** and **SG&A**



People & Culture as a key pillar. **Change Management** program launched



Siemens Gamesa Renewable Energy - Capital Markets Day - On Track to Global Leadership

Business Unit – Onshore

Ricardo Chocarro: Onshore CEO

Onshore by the numbers (FY17)



3.9 €B
Backlog¹



6.3 GW
Order entry²



6.6 €B
Revenue²



~12%
CY16 market share²



~73 GW
globally installed



~12k
employees



True **global**
Footprint



Portfolio **covering all**
requirements

Agenda

1 **Sector review and Onshore strategy**

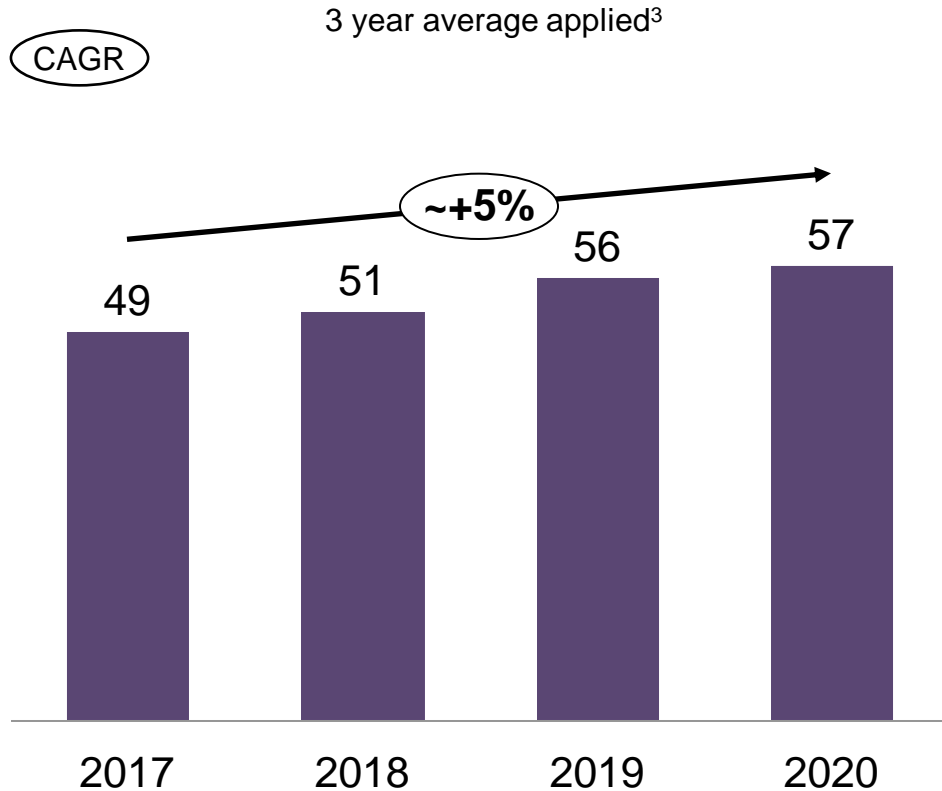
2 **Market Strategy**

3 **Product offering**

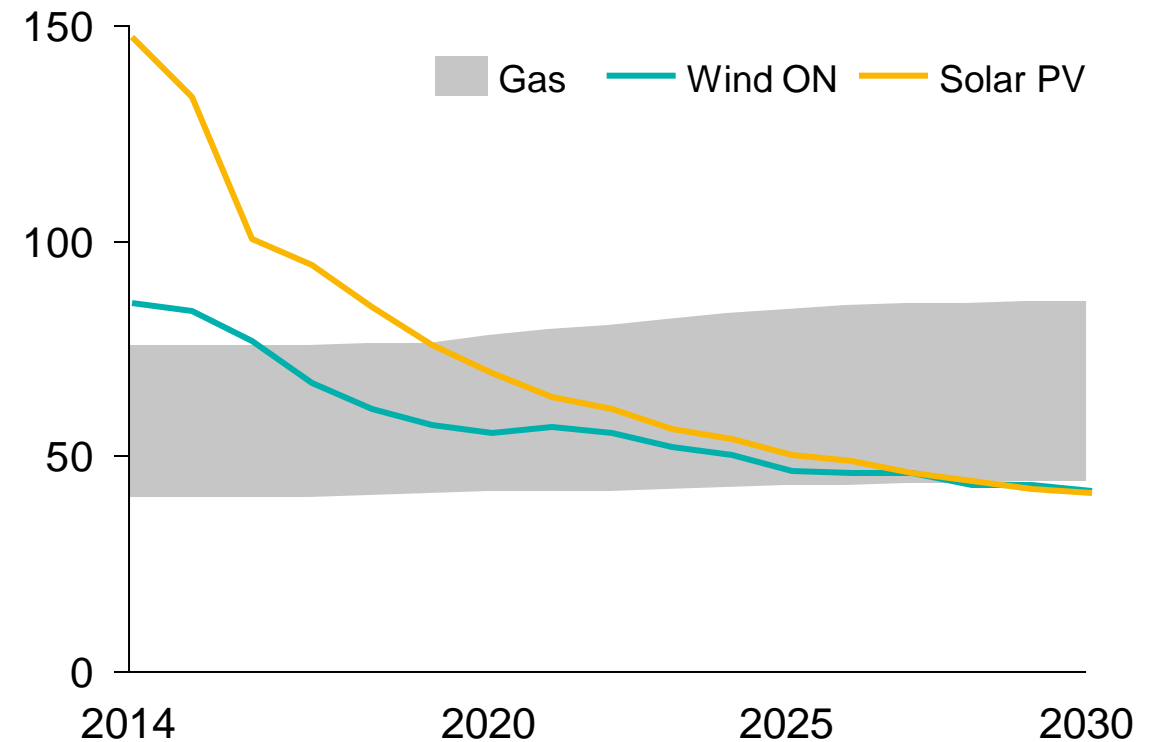
4 **Cost optimization**

Efficiency sustains and grows the market – Onshore offers competitive cost of energy

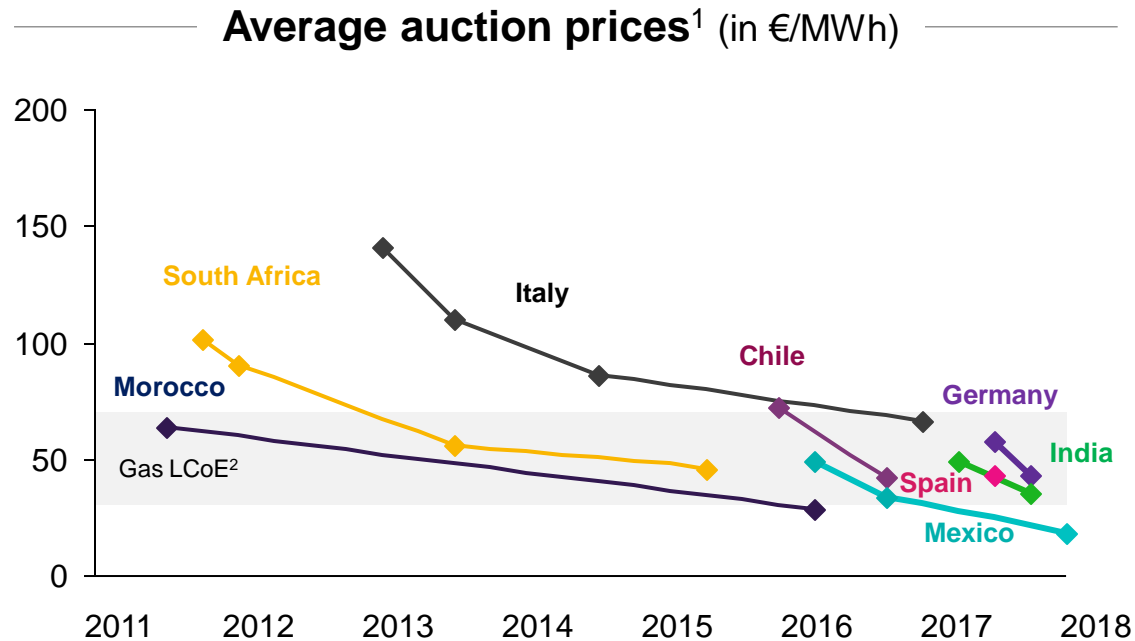
Global onshore wind installations (GW)¹



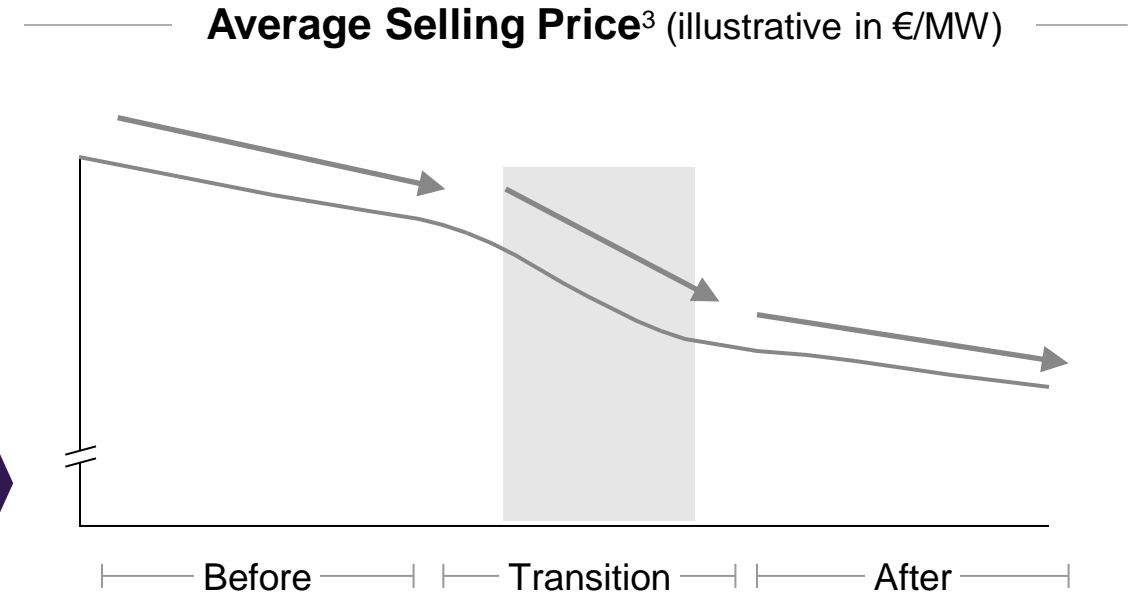
Average LCoE (in \$/MWh)²



Recent transition to auctions has caused accelerated price adjustments



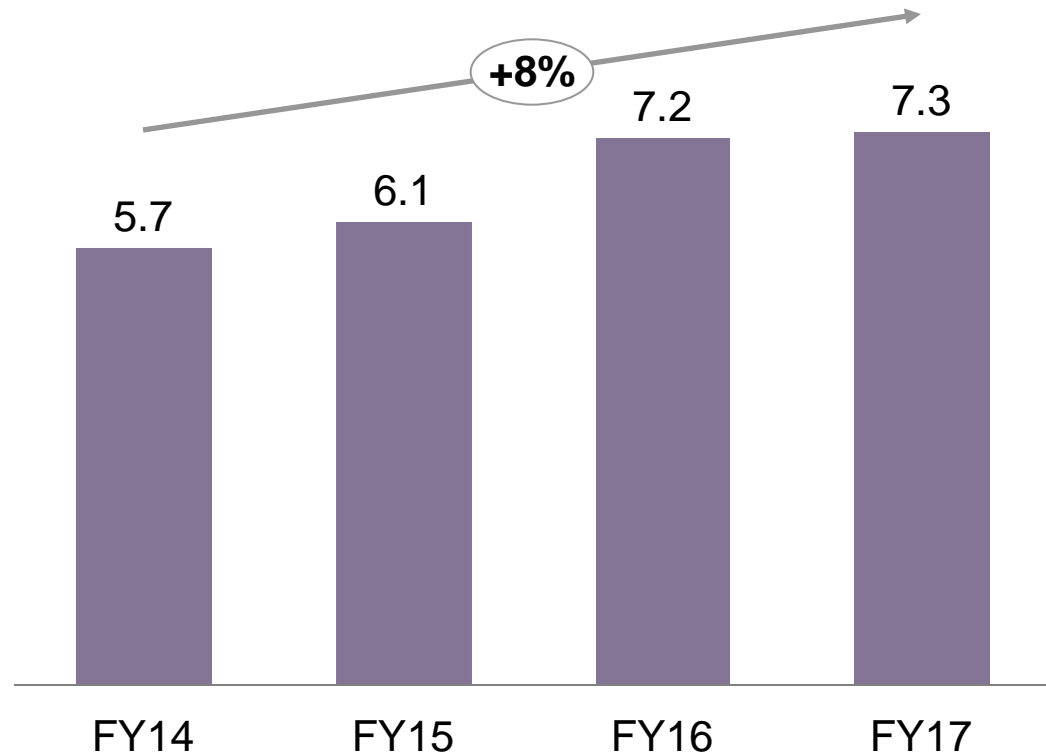
- **Majority** of global wind markets have **transitioned** towards **auction models**
- **Strong wave** of transition between **2016-2017**, e.g. India, Germany
- Auctions have pushed **energy prices down**



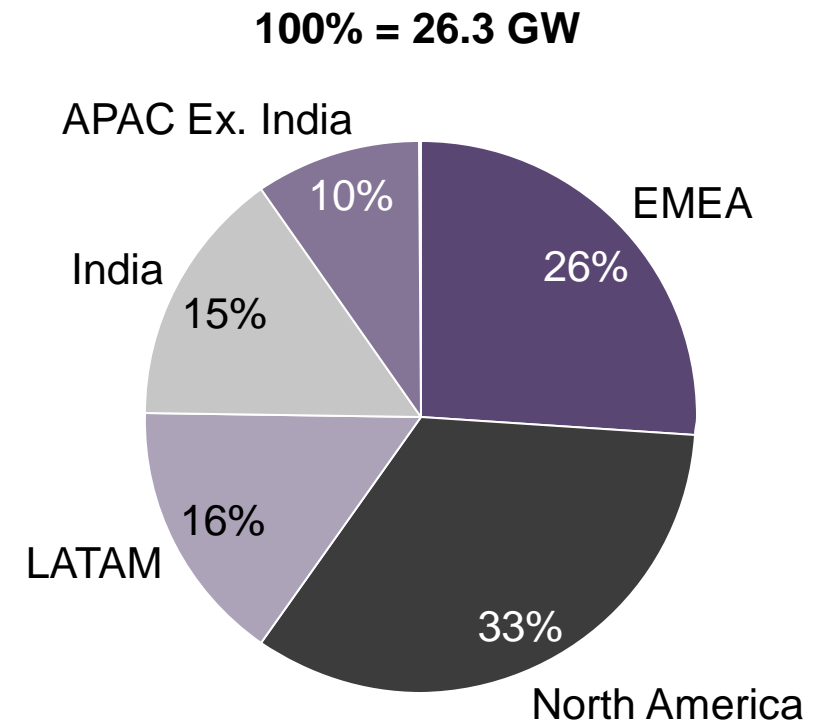
- Accelerated price adjustment during **transition phase**
- After transition phase, continued **efficiency gains** via technology and industrial improvements, but at **normalized pace**

We have delivered a solid and regionally diversified growth trajectory over past years

SGRE Global deliveries (GW)¹

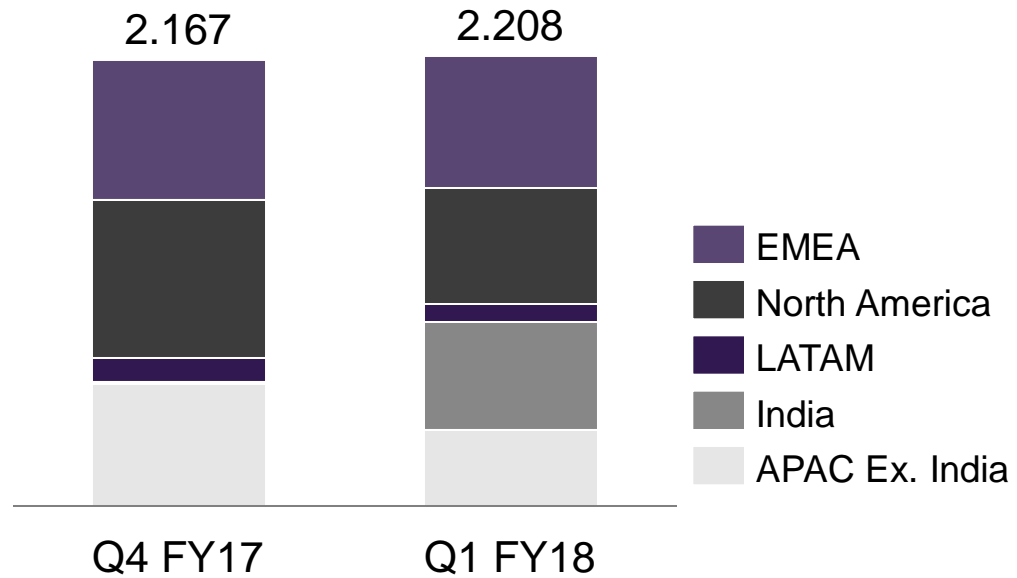


SGRE Deliveries by region (cum. FY14-17 in %)¹

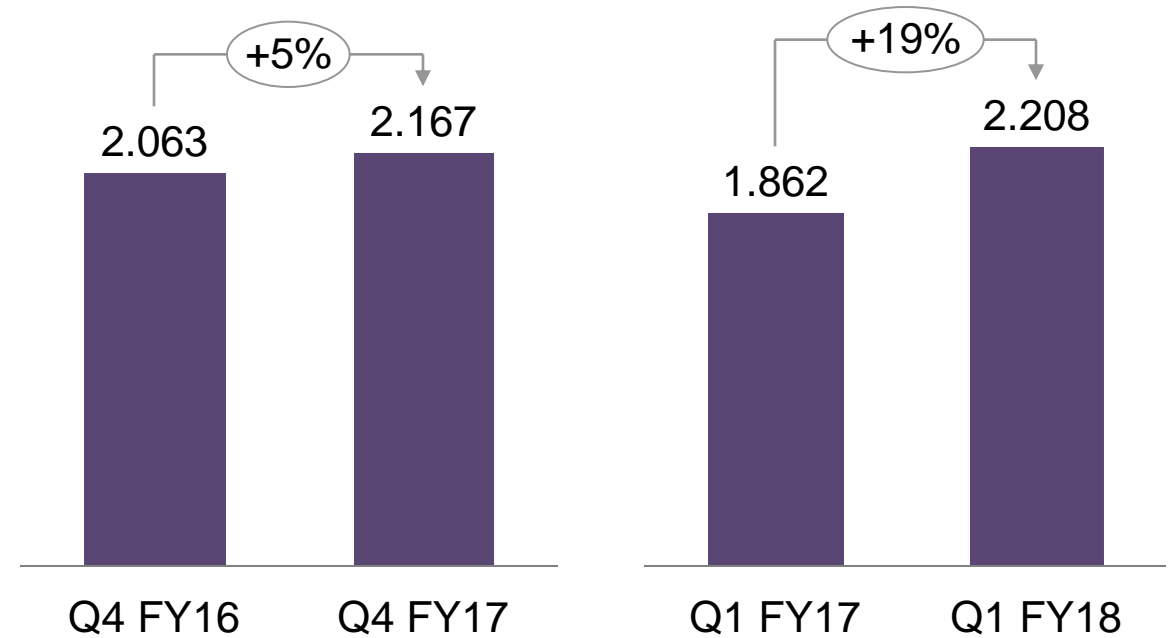


> 2 GW orders booked in each of last 2 quarters

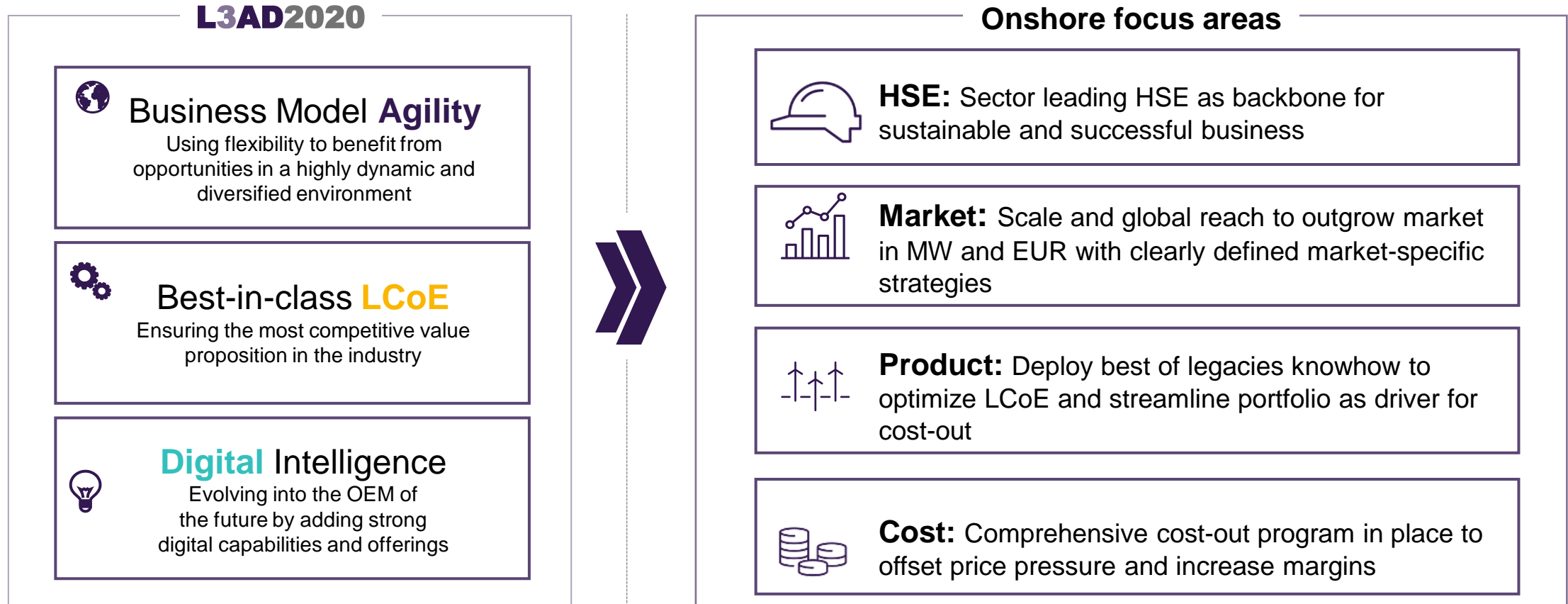
SGRE Order Entry by region (GW)



SGRE Order Entry by Quarter YoY (GW)¹



Profitable growth through scale & global reach, product and cost optimization (simplicity)



Agenda

1 Sector review and Onshore strategy

2 Market Strategy

3 Product offering

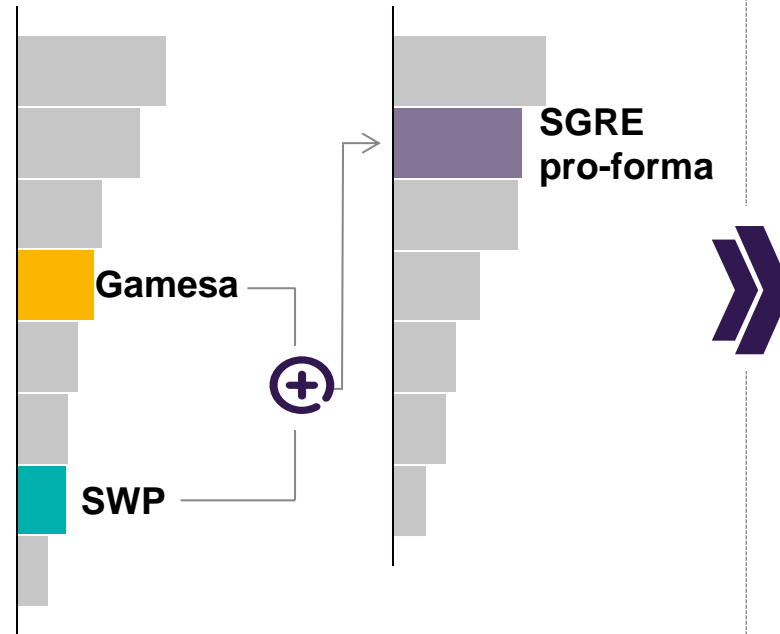
4 Cost optimization

We have the critical mass and unique post-merger opportunity to capitalize on scale

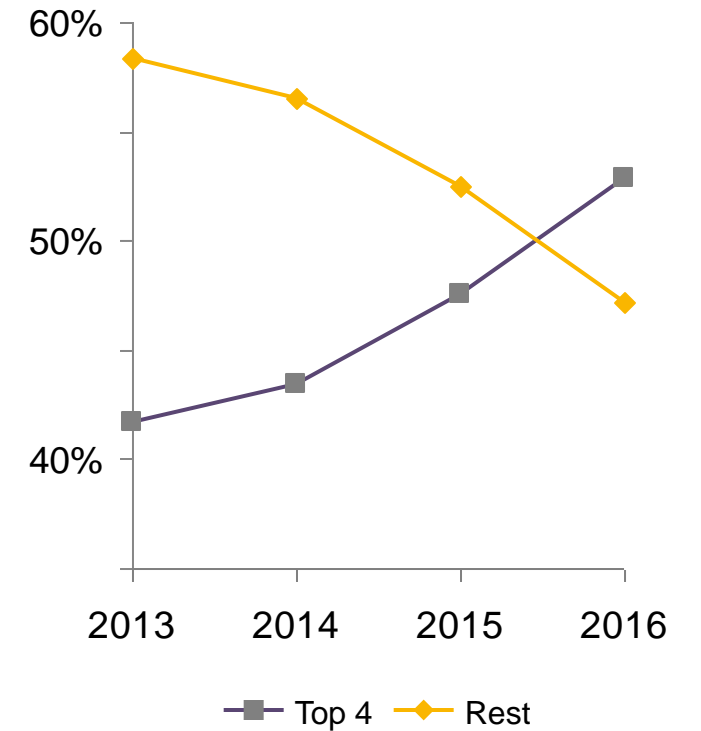
Benefits of large scale

- ✓ R&D capability / resources
- ✓ Global reach & diversification
- ✓ Operational efficiency
- ✓ Procurement advantages

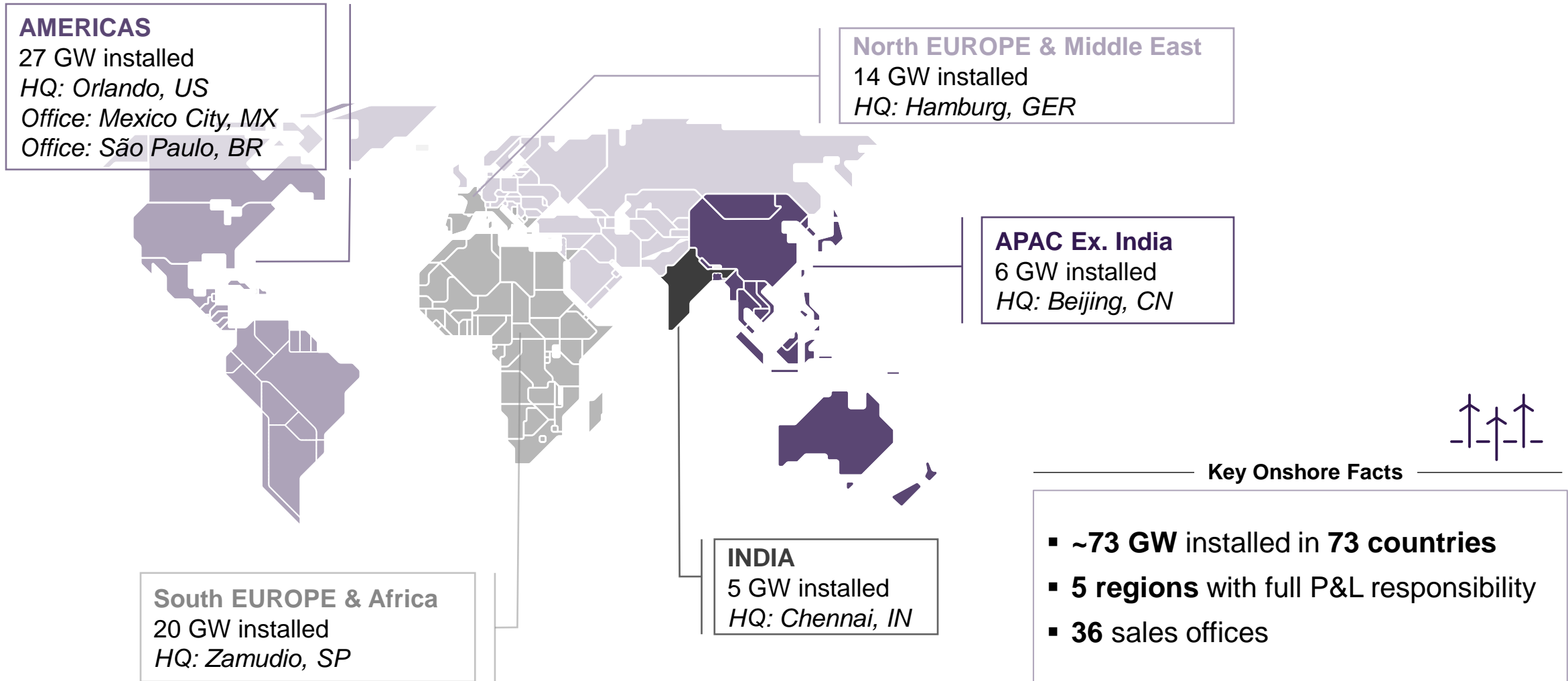
CY16 Onshore Revenue¹




Market share² (cum. in %)



Regional organization ensures customer proximity




Well positioned for growth in US, leading position in LATAM markets



Market¹

GW	6.9	8.9	10.8	12.4
	2017	2018	2019	2020


- Dominated by OEMs with local footprint
- Highly capacity-driven market
- PTC and RPS key drivers for growth
- Secure pipeline (safe harbor)




Strategy

- Clear focus on market share growth
- Deploying both high capacity factor WTG and large rating WTG for different customer profiles
- Harvest repowering opportunities

TOP 3






Market¹

GW	0.5	0.9	1.4	1.3
	2017	2018	2019	2020


- High growth: CAGR 38% 2017-20
- Driven by auctions and bi-lateral PPA
- Wind and Solar PV in hard competition



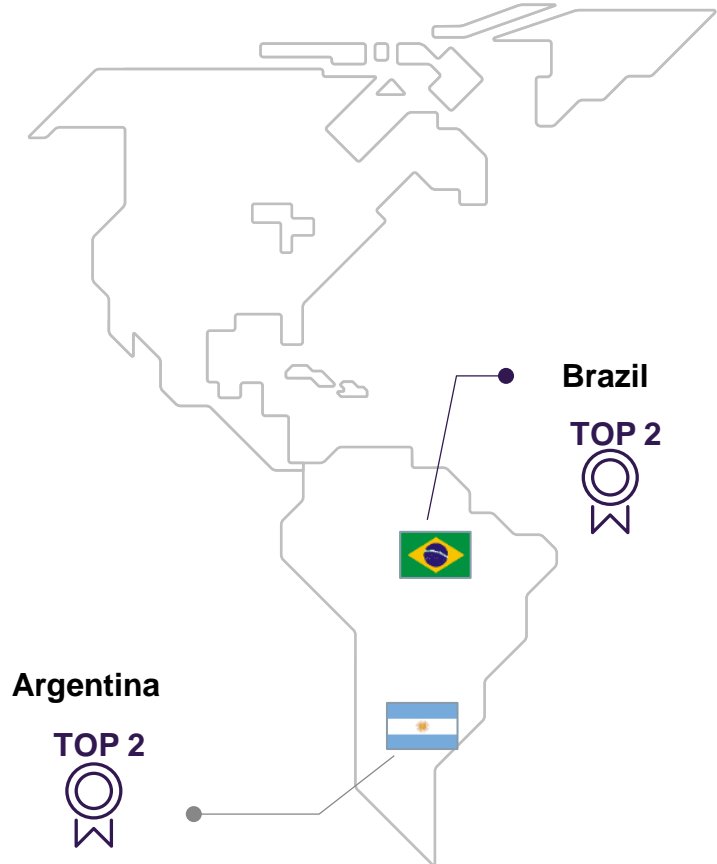
Strategy

- Launch SG 4.2-145
- Combine local sourcing with global sourcing
- SGRE own development capacity as a relevant sales channel

#1




Other main markets




Brazil

TOP 2



Argentina


TOP 2







Repositioning for growth in mature markets and leading in the Middle East and Africa

Market¹

 GW


2017	2018	2019	2020
5.0	3.1	1.5	3.5

- Citizen wind parks dominated recent auctions
- Trend to high capacity, tall towers and large rotors

Strategy  



- Launch new 4.2MW CIII rotor on high tower
- Focus on key accounts
- Proximity to customer

Market¹

 GW

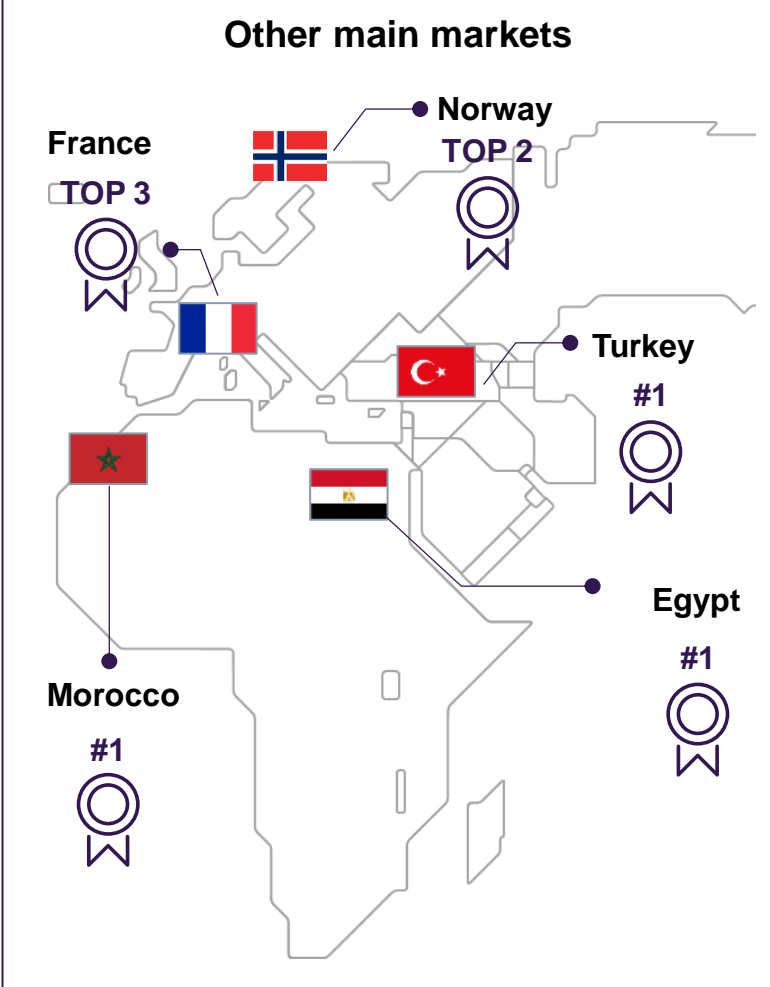
2017	2018	2019	2020
0.1	0.7	2.6	0.6











- 2016/17 auctions created dynamic market for 2018-19
- Corporate PPA market developing

Strategy  

- Manage capacity to deploy >3MW products with optimized supply
- Right balance key accounts/smaller IPPs
- SGRE own development capabilities as a relevant sales channel


Other main markets



- France  TOP 3 
- Norway  TOP 2 
- Turkey  #1 
- Egypt  #1 
- Morocco  #1 



#1 in India and best positioned foreign OEM in largest wind market




Market¹


GW

4.2	2.0	3.0	3.5
2017	2018	2019	2020

- 2022 target of 60 GW (cumulative)
- Transition from FiT to auctions
- Strong competition from solar PV




Strategy



#1

- Customize new < 3 MW C IV product
- Increase local supply base & BoP
- SGRE own development capabilities as a relevant sales channel




Market¹


GW

15.8	18.8	21.3	20.7
2017	2018	2019	2020

- Largest wind market
- Dominated by local OEMs
- Curtailment issues, new transmission to enable North China market



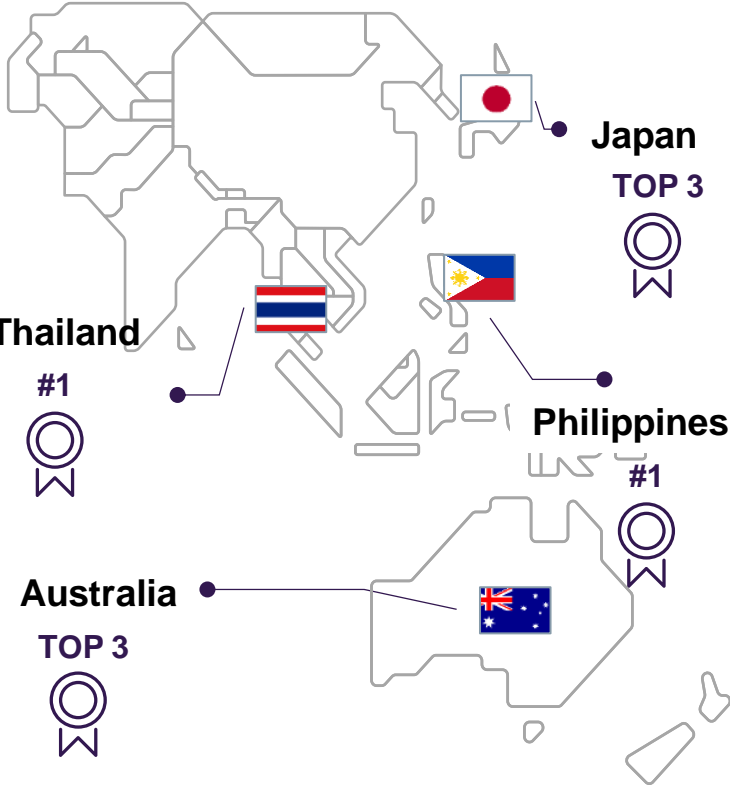
Strategy



#1 Int'l

- Build on local supply chain
- Focus on demanding sites (altitude, high wind, dust, typhoon areas, ...)
- SGRE own development capabilities as a relevant sales channel

Other main markets



- Thailand** #1
- Japan** TOP 3
- Philippines** #1
- Australia** TOP 3



Agenda

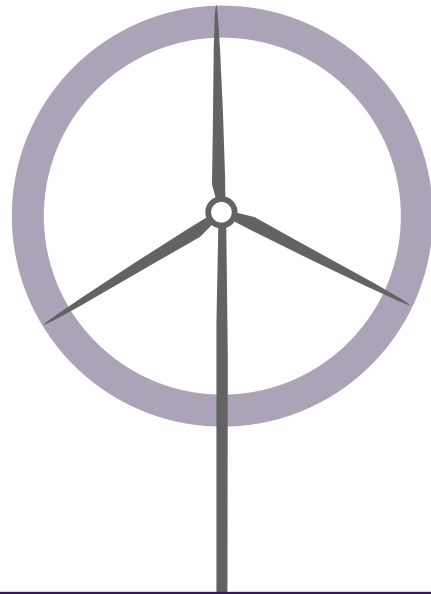
1 Sector review and Onshore strategy

2 Market Strategy

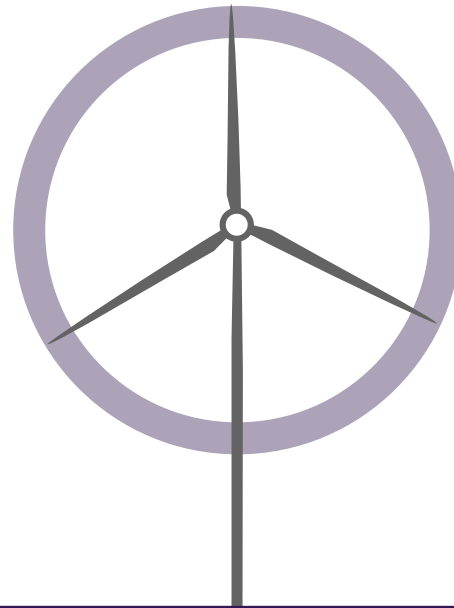
3 Product offering

4 Cost optimization

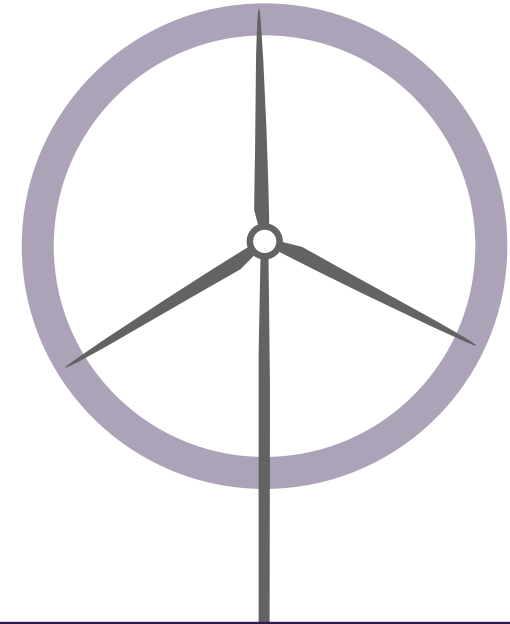
Engineering power of legacy companies @ work, first joint product platform launched



SG 4.2-132
High wind



SG 4.2-145
Medium wind



SG 4.2-155
Low wind

Flexible power range from 4.0 to 4.5 MW

SG 4.2-145 combines best of legacies to achieve new heights in efficiency and profitability

SIEMENS

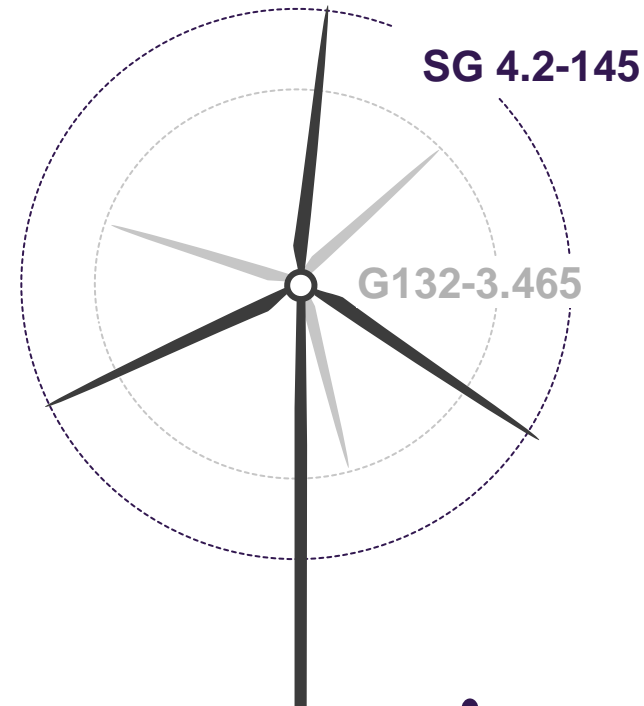
- **Flexible** adaptable nominal power
- Blade **aerolastic** control and noise reduction



- Efficient **drive train** design
- **Power electronics** design solution



SIEMENS Gamesa RENEWABLE ENERGY



Swept Area Increase:
21%

AEP Increase:
>21%

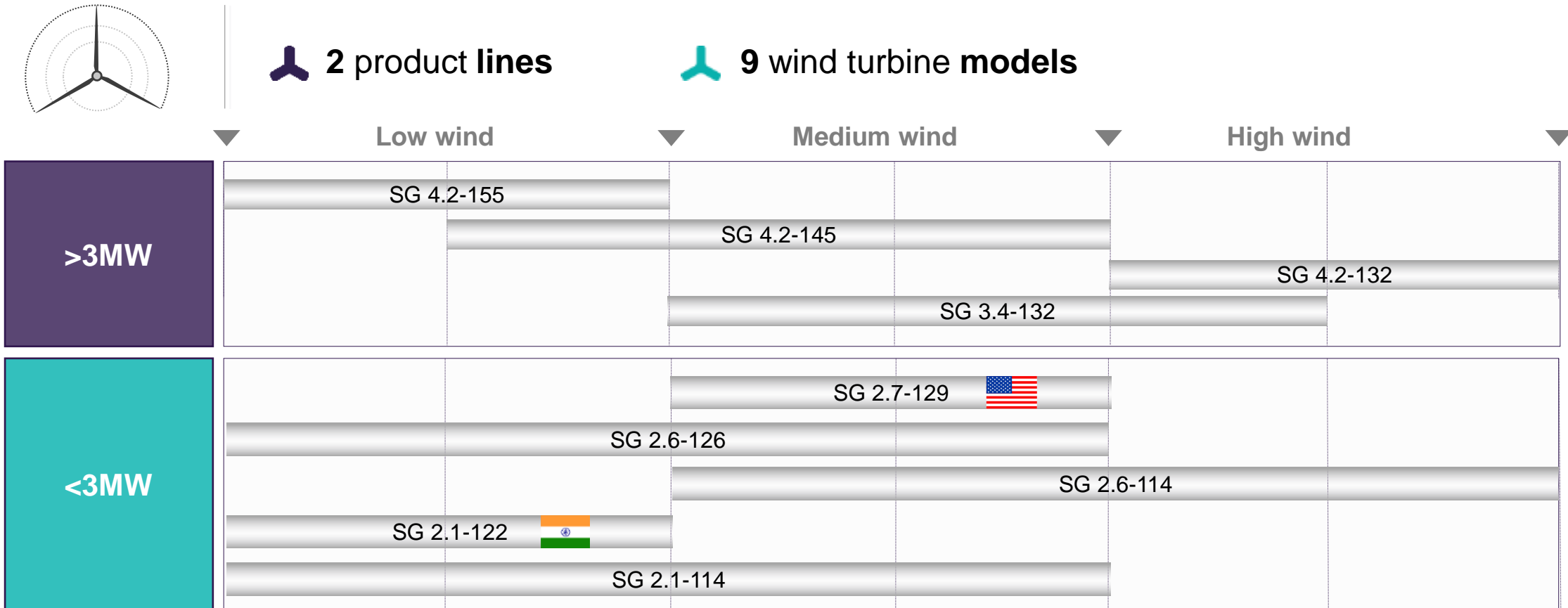
Key project milestones

Q4 CY2017
Official market launch
(WindEurope Amsterdam)

Q4 CY2018
Design certificate and
first prototype

Q1 CY2019
Start of
Production

Future portfolio streamlined around geared technology to maximize economies of scale



Existing Direct Drive Onshore platform available in selected markets

SGRE investing in new technologies to extend our activity into new businesses



Offgrid test facility “**La Plana**” combining solar, wind, gensets with Li-Ion and newly installed redox-flow battery system



First commercial on-grid Hybrid Project in India is being commissioned with a **28.8 MW solar wind farm** combined with a **SGRE 50 MW wind farm**



ETES – Electric Thermal Energy Storage
Proof of concept successfully installed and tested in Hamburg.
A new demonstrator will be built in 2018

Digitalization embedded in product design to optimize LCoE



Big Data analysis of fleet to improve design of components



Testing, validation & verification over a **Wind Turbine Digital Twin**



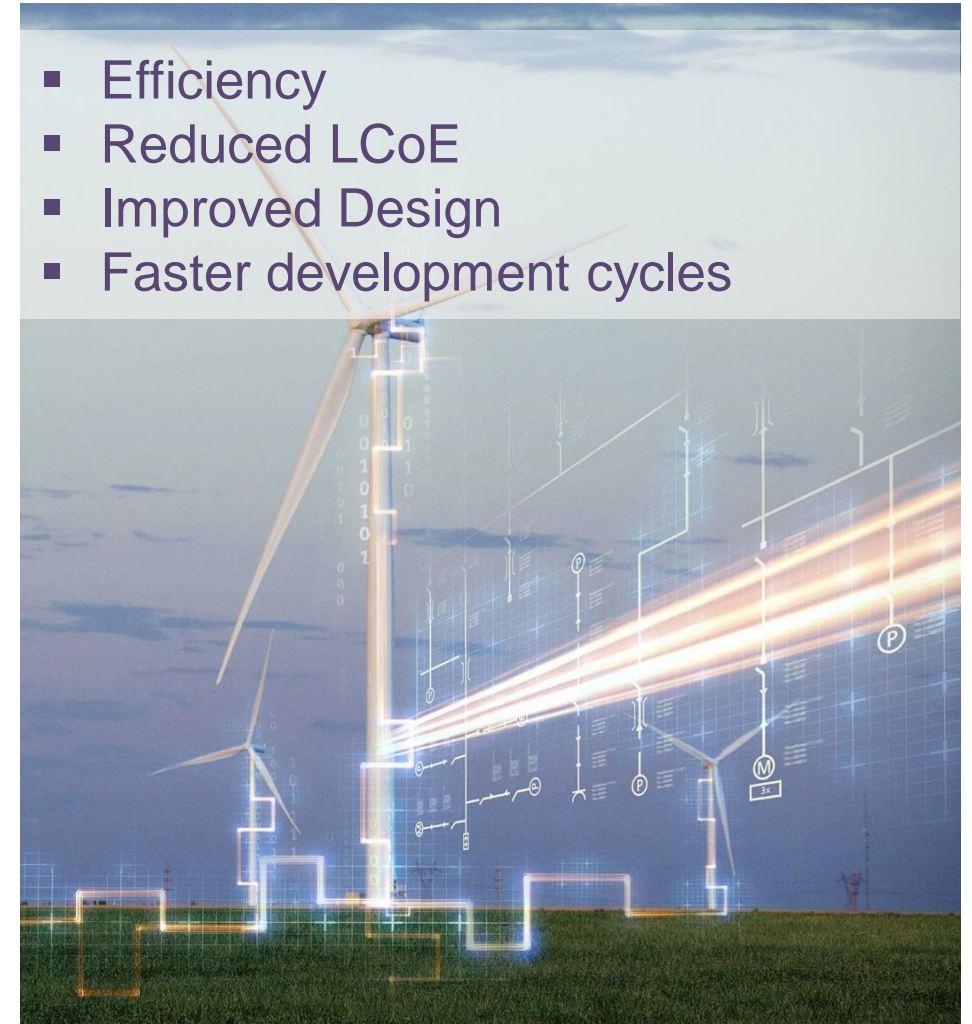
From site-specific to turbine-specific **loads evaluation via smart sensors**



To improve energy output, **turbines interact with each other** in a **smart** way



Industry 4.0 as lever to manufacture and deliver **customized products** at most competitive cost level, **short lead times** and **best-in-class quality**



- Efficiency
- Reduced LCoE
- Improved Design
- Faster development cycles

Agenda

1 Sector review and Onshore strategy

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4 Cost optimization

Comprehensive cost-out program launched

Product Affordability

- Global **scale** and **pooling**
- Increase **modularization**
- **Design-to-cost** and **Design-to-manufacturing**
- Enrich and activate **supplier base**
- **Execution** and **logistics** efficiency



Operations

- Rationalize **footprint**
- Allocate **production volume** to most cost-effective factories
- Increase **factory utilization**
- Asset-light approach optimizing **Make / Buy / Build-to-Print** strategy



SG&A and Others

- Increase **R&D efficiency** via simplified portfolio
- Optimize **office locations**
- **Restructuring effort**
- **Target >25% fixed cost reduction**



Broad knowledge base of both legacy companies enabling LCoE leadership

Design-to-Cost & Design-to-Manufacturing

- **Design-to-cost**

Same root diameter for SG 4.2-145 and SG 3.4-132 blades to reduce logistic impact



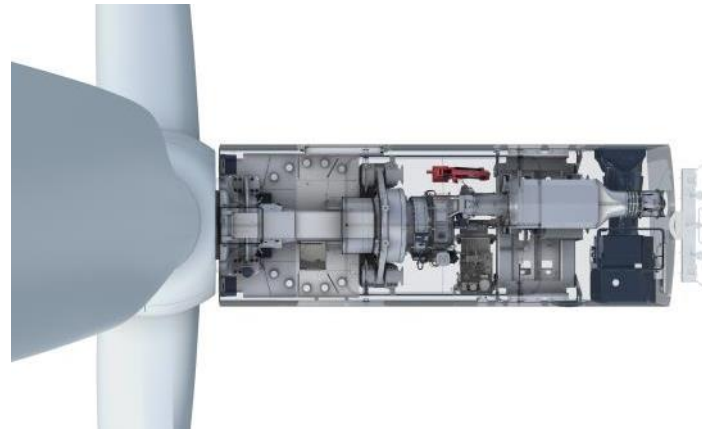
- **Design to manufacturing**

New 145m “butterfly” blades using best from both legacies and facilitating make/buy/build to print strategy



Modularization & Standardization

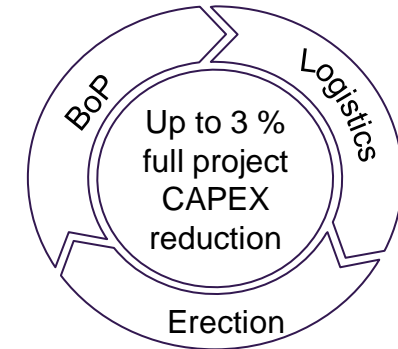
- **Modular design** of drive trains allowing a large variety of noise emission limits, facilitated by the own gearbox development capabilities



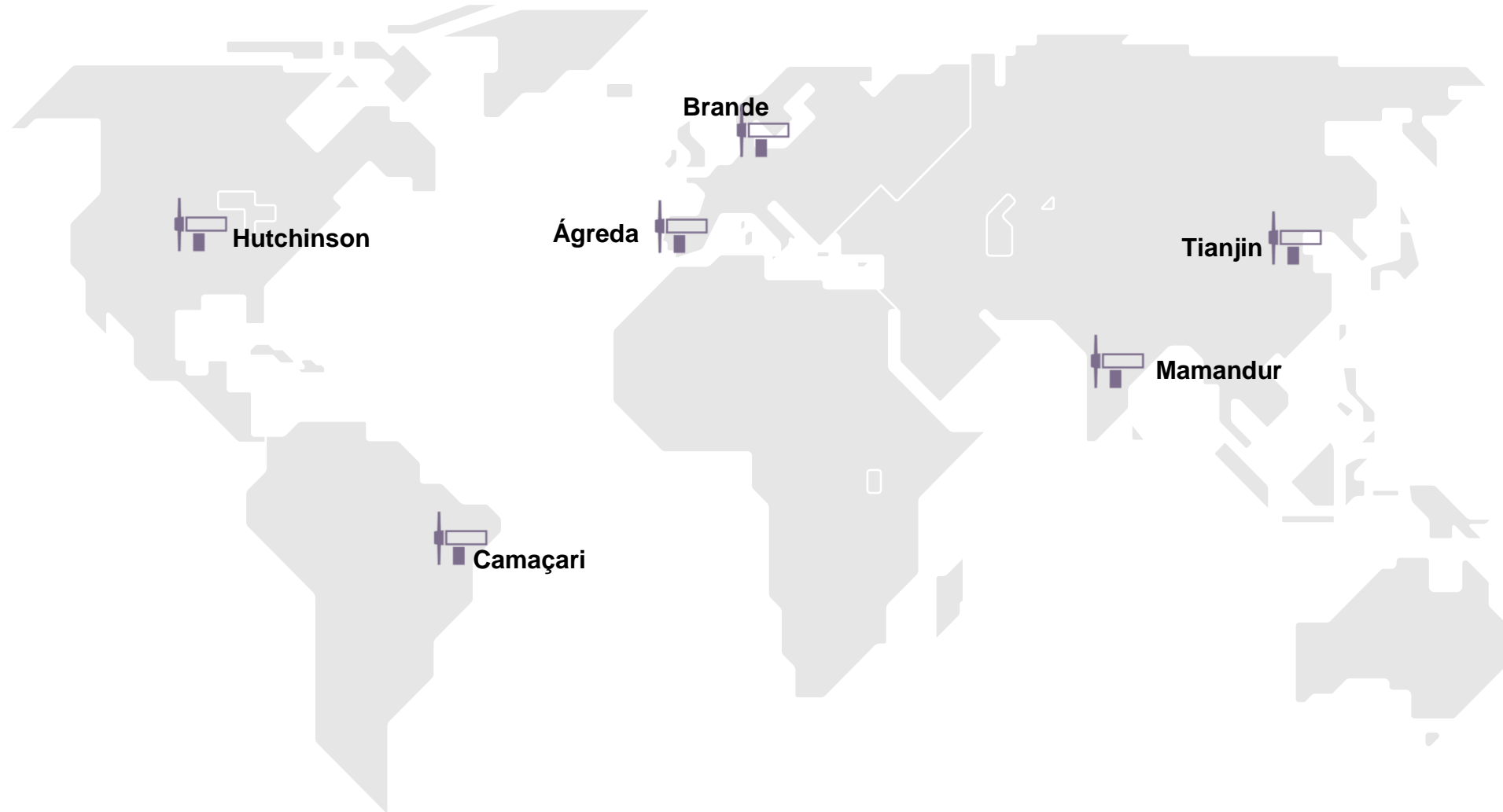
- **Standardization** to enable a large number of common parts, e.g. ~30% common parts between SG 3.4-132 & SG 2.1-114

Execution & Logistics Efficiency

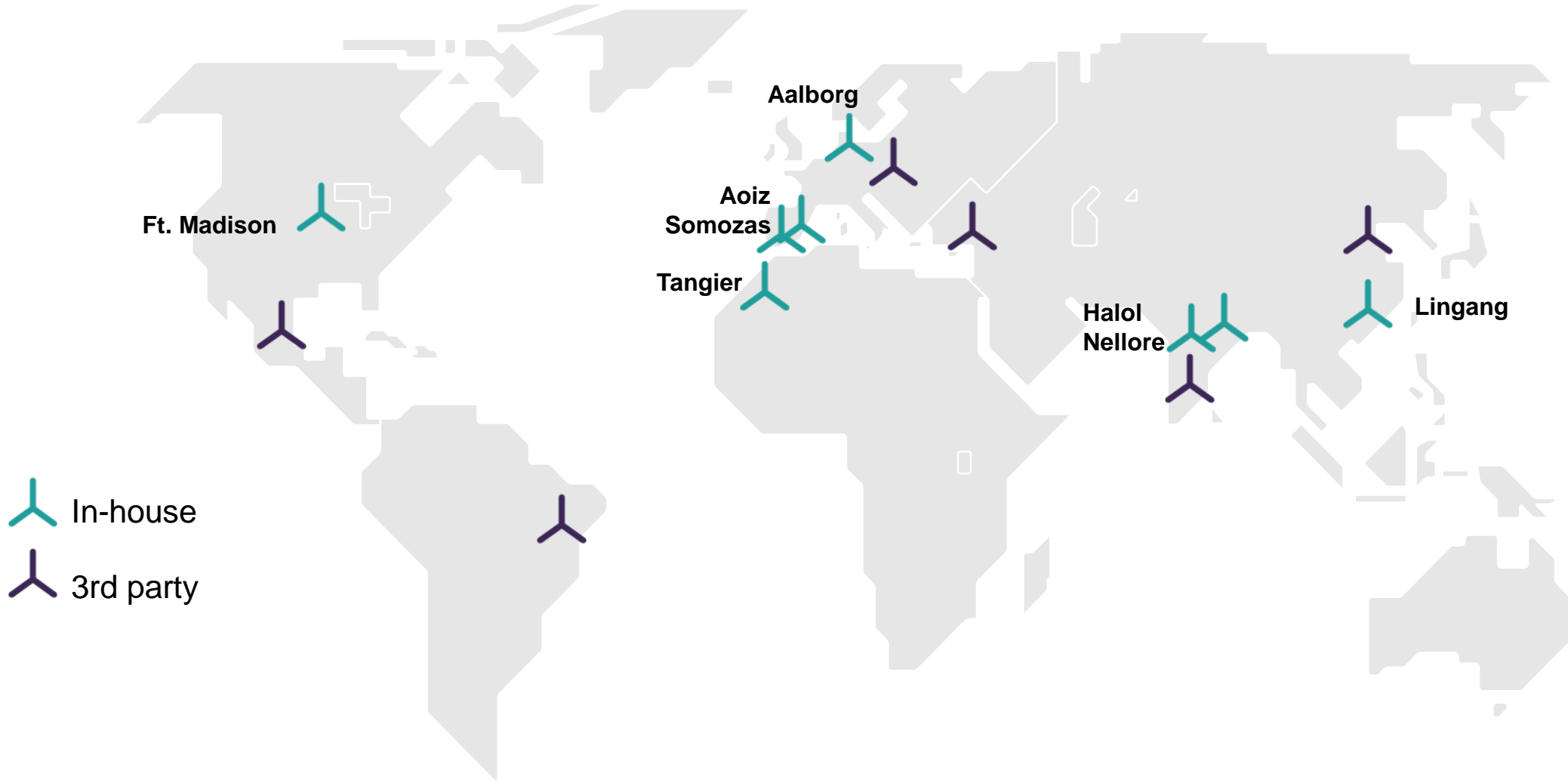
- **Integrated wind farm planning** of BoP, erection and logistics to reduce total wind farm cost



One nacelle assembly per main region to reduce total cost of ownership



Asset light and low cost blade footprint



Growth and simplicity –
creating lasting value through
profitable growth





Siemens Gamesa Renewable Energy - Capital Markets Day - On Track to Global Leadership

Business Unit – Offshore

Andreas Nauen: Offshore CEO

Offshore by the numbers (FY17)



7.2 €B
Backlog¹



1.7 GW
Order entry²



3.2 €B
Revenue²



>25 years
Experience in the offshore
industry



~11 GW
installed



~6k
employees



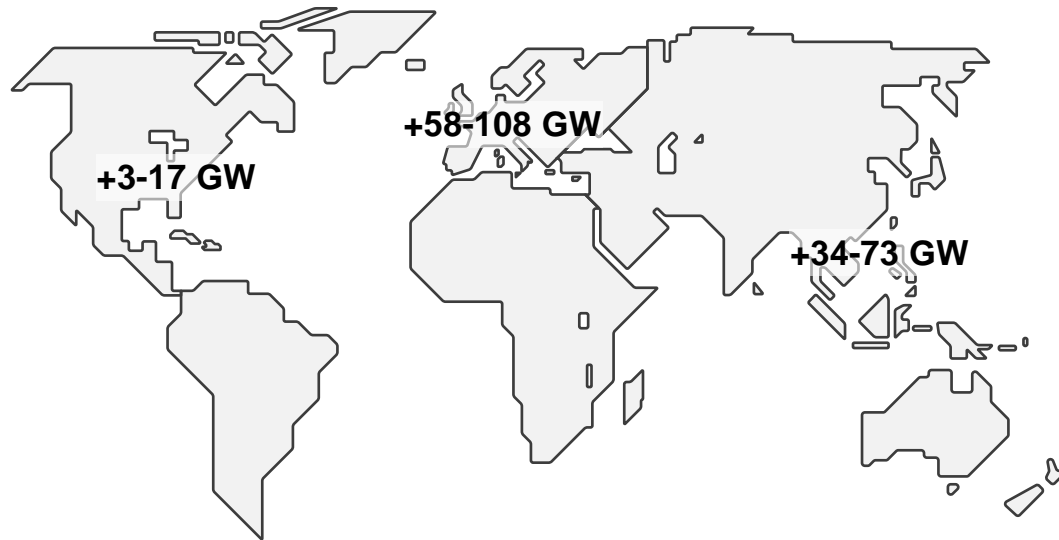
Most **modern** and
scalable footprint



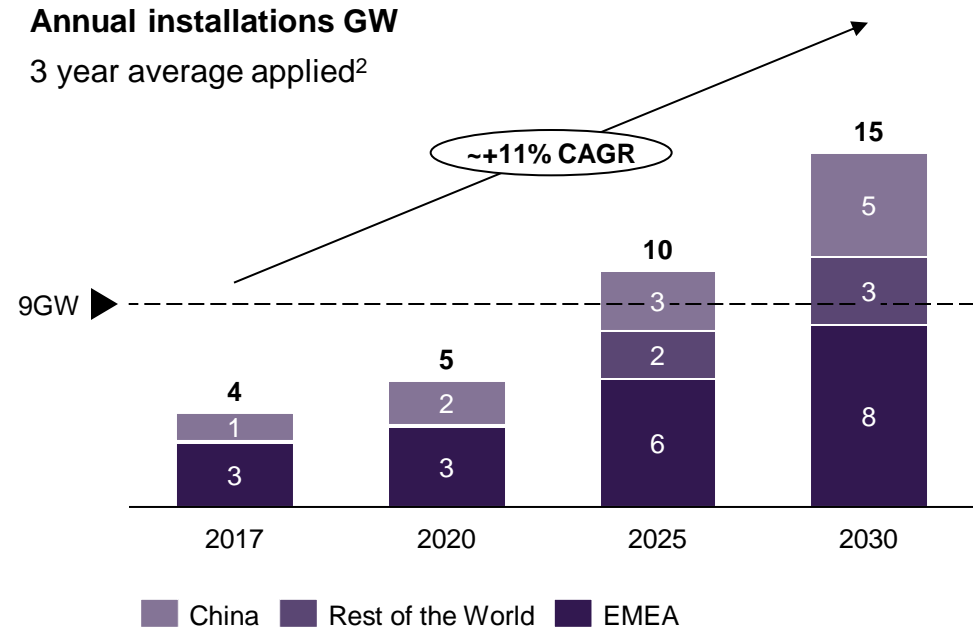
The world's **best**
offshore
turbine

Great potential for offshore wind in the next decade with growth of +11% CAGR

Expected market of 95-198 GW until 2030¹

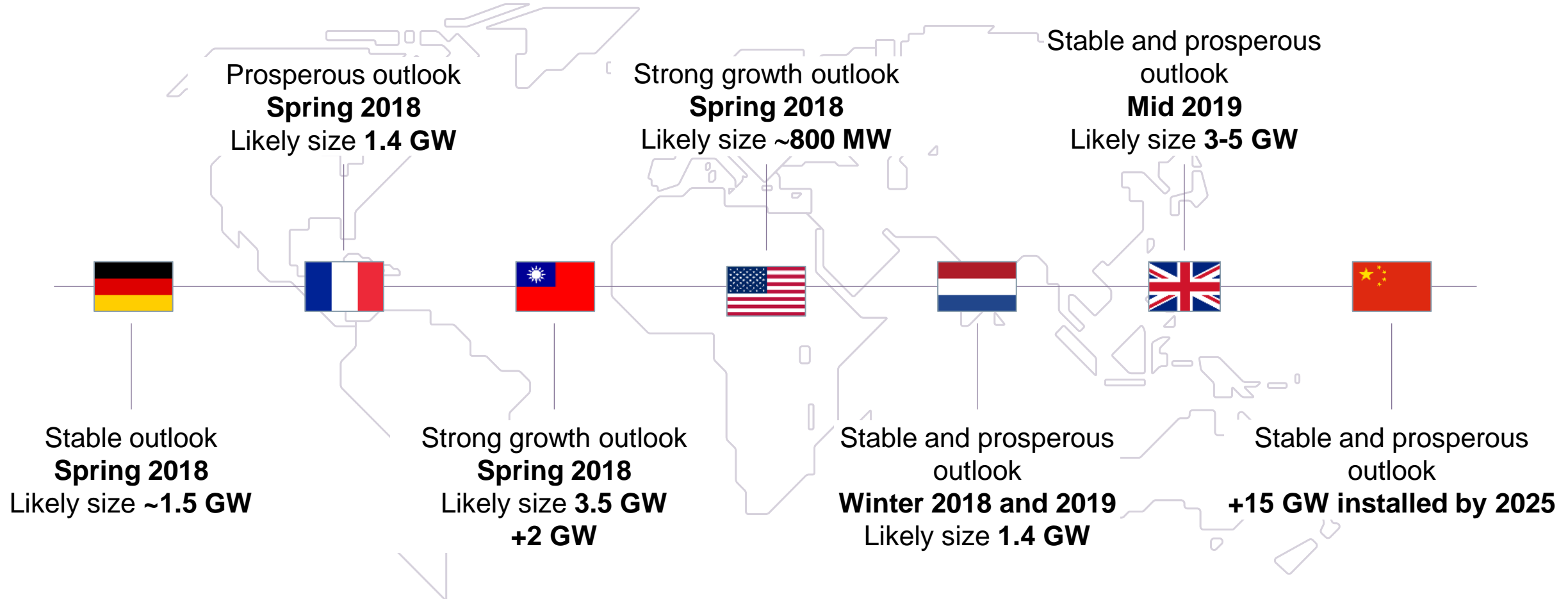


11% CAGR in global installations until 2030¹



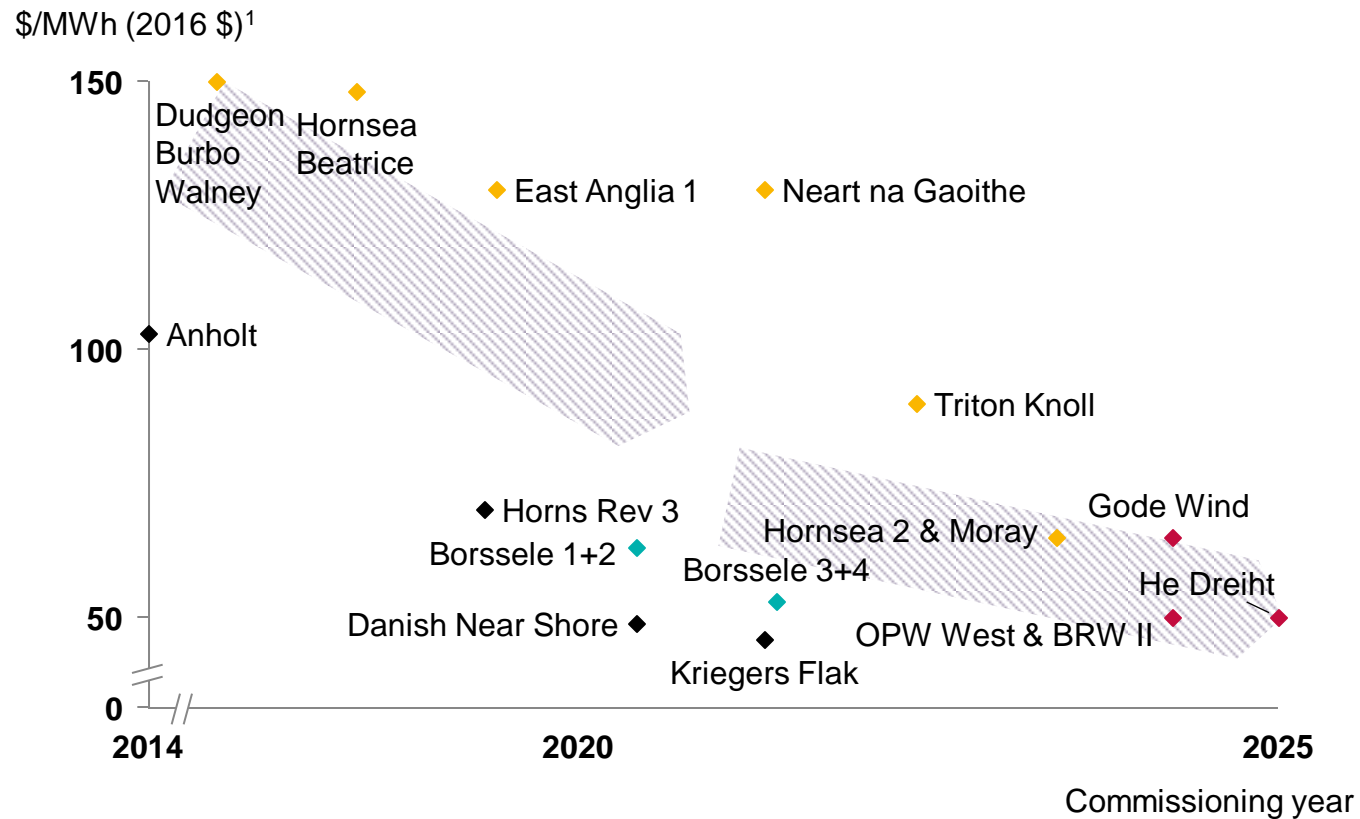
- Load center proximity
- Offshoring externalities
- High capacity factors and availability
- Optimal for large scale deployment

Prosperous global pipeline to drive order entry over the coming three years



Offshore is delivering on LCoE, supporting the growth outlook and industry globalization

Levelized offshore wind auction prices



The cost-out is a crucial enabler for further offshore uptake & globalization of the industry



The cost-out puts pressure on the industry and implies hard requirements on suppliers to deliver



Delivered three times more capacity (3 GW) plus an underspend of 114 £M



Substantial subsidy savings have increased interest for offshore wind around the world

Uniquely positioned to strengthen #1 position and further unlock long term growth

L3AD2020



Using **Agility** for
scale and global reach



Best-in-class **LCoE** through
cost and technology leadership



Digital features are driving
the competitiveness



Offshore focus areas



Sector leading HSE as backbone for sustainable and
successful business



Backlog covering **>80% of revenues secured incl. FY20**



Grow annual order entry through leadership in core and
emerging markets



Stable revenue supported by a strong order backlog with
good visibility

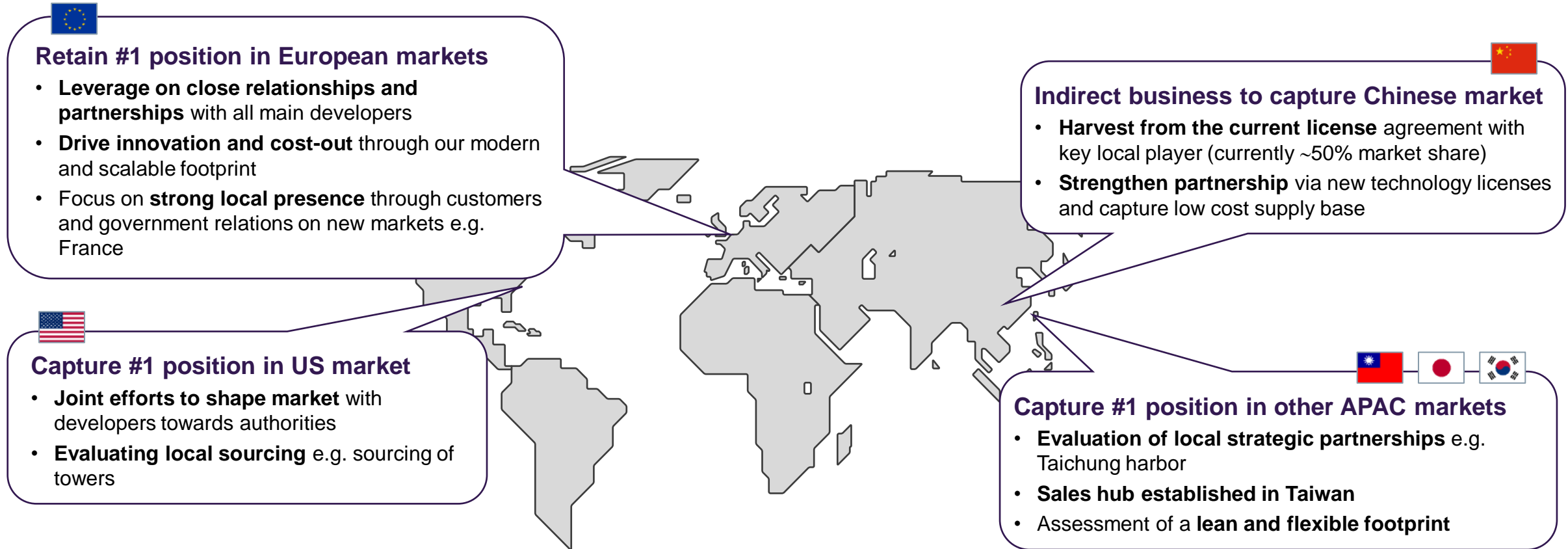


Grow profitability through strong and coherent cost-out
focus across the value chain



Annual investments in technology and footprint to unlock
growth opportunities

Retain #1 position in current markets, and capture #1 position in emerging markets







Competitive platform in place to serve global markets



Modern and expandable footprint in place

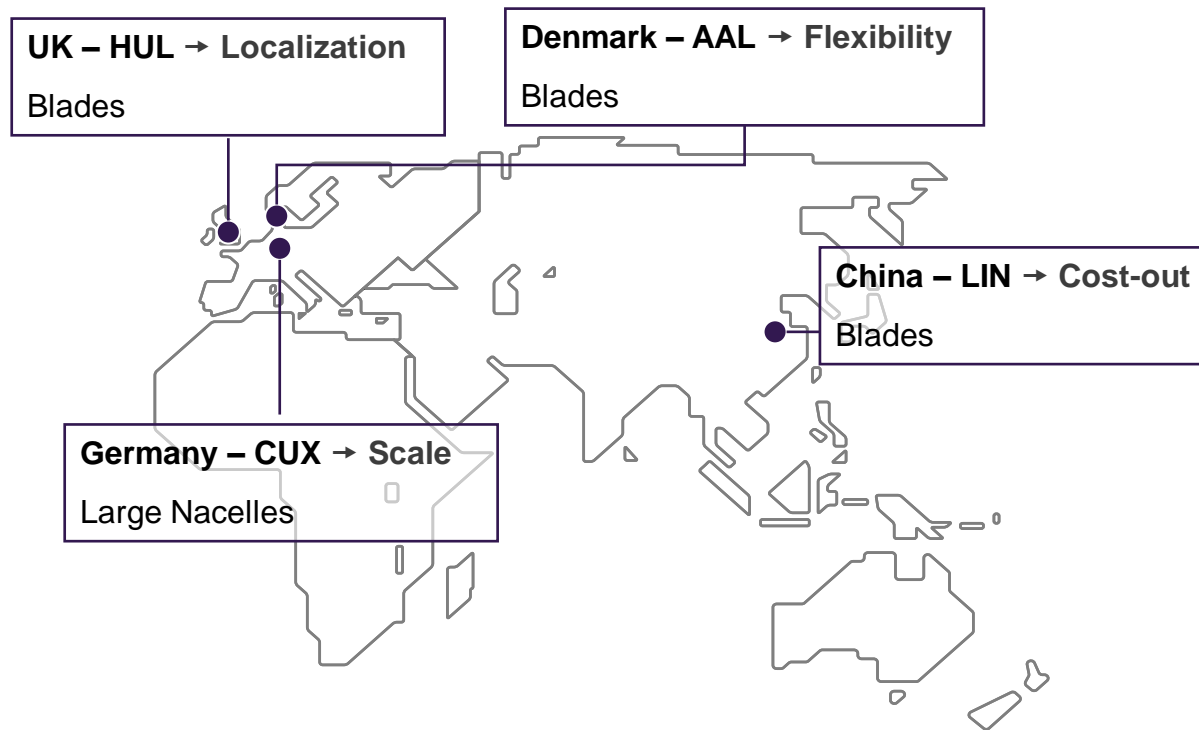
#1 partner to all main developers

	Global developers 	Regional developers 	Financial developers 	China 
Customer concepts and solutions	Solidify strong partnerships via ongoing close engagement	Customized and tailored approach for one-off projects	De-risking and flexible solutions	License business



1 Providing flexibility, scale and global reach to address the requirements of all customer segments and regions

Optimized production and logistics drive industrialization and cost-out



● Main existing facilities



Industrialization of production based on digitalization and automation



Optimization of the logistics and transportation to unlock further cost savings



Lean and flexible set-ups for emerging markets for a feasible adaptation to dynamic market place

Focus on cost optimization on every front

Product Affordability

- Further increase **global value sourcing** share
- **Enrich and activate supplier base**
- **Turbine design simplifications** to further optimize installation and assembly
- Design improvements in **collaboration with suppliers**



Operations

- **Industrialization of production** through digitalization and automation
- **Optimization of the logistics** and transportation to unlock further cost savings
- **Major innovations to increase efficiencies** during offshore installation and commissioning
- **Leverage** on unparalleled **expertise and technology** for the **Adwen pipeline**



SG&A and Others

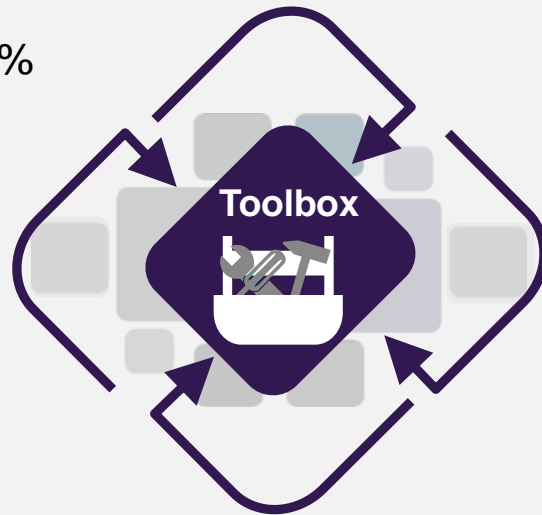
- **Optimized support functions** through automation, productivity improvements and demand management
- **Consolidation** of similar functions **at the highest level**
- **Combined sales** function with Service



Continuous improvements to secure competitiveness through substantial cost-out

Continuous improvements to maintain leading competitive position

Increase **global value sourcing** share from ~40% to ≥60% **leveraged on ~7-8 GW pipeline**



Drive cost-out by >400 **design-to-cost** ideas on platform

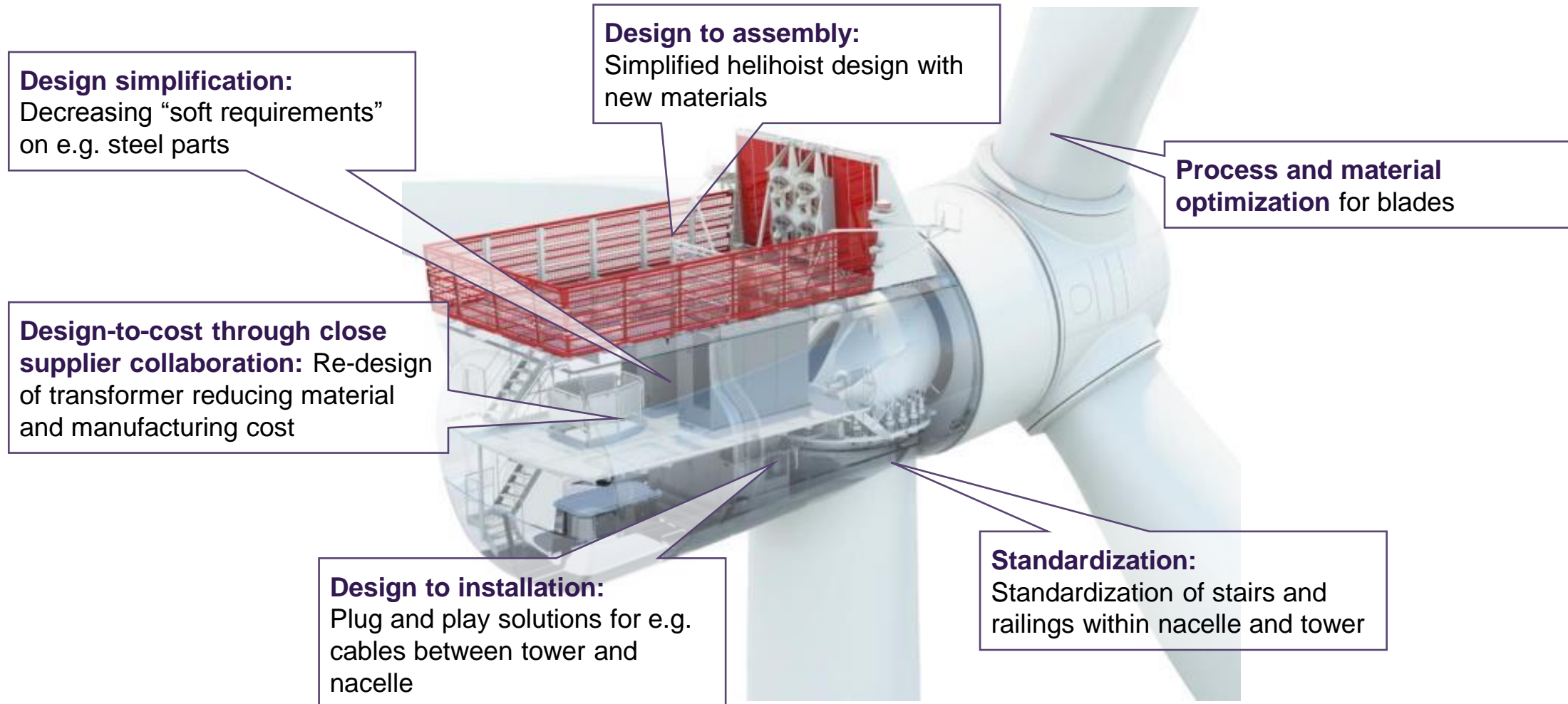
Ensure readiness for emerging market conditions e.g. ambient temperature

Installation and commissioning of WTGs in 24 h (24ONE)



SGRE is well positioned for internalization and to strengthen the competitive position

Substantial savings from design optimization to support ambitious industrialization



Major innovations in installation and commissioning increase safety at reduced cost



Purpose built Ro-Ro vessels to increase safety and **reducing logistical costs by up to 20%**



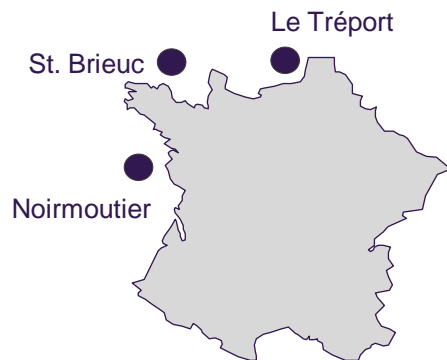
State of the art lifting equipment allowing installation in high wind speeds at **higher safety conditions**

Fast consolidation of Adwen activities into SGRE Offshore creates value for our customer



Legacy projects (installed) – Leverage experience

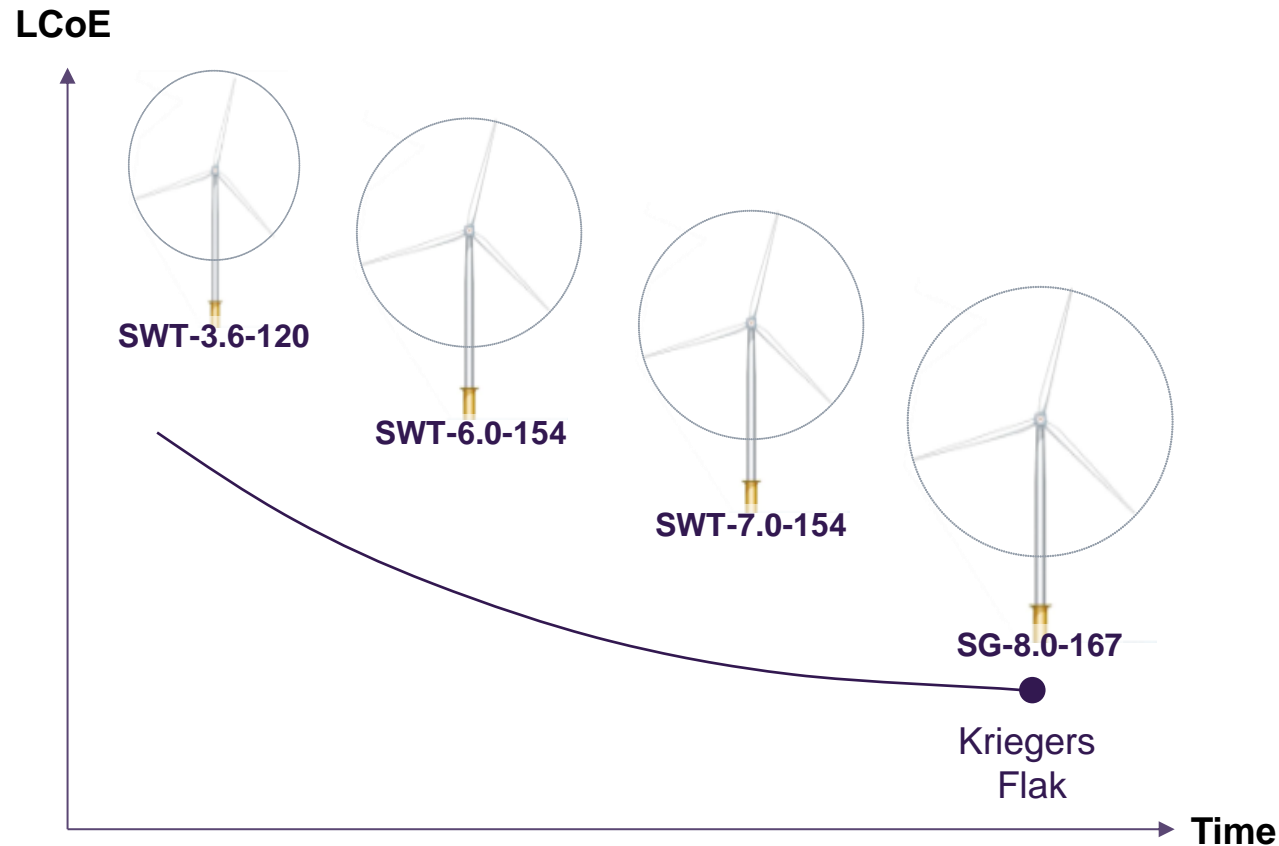
- **Successful installation of Wikinger project** i.e. 70 Adwen AD-135 turbines with hot commissioning ongoing
- **Service fleet strengthened through SGRE Service experts** with long-lasting industry knowledge
- **Synergies** through efficient use of shared equipment, resources and scale effects



French Pipeline (to be installed) – Swap to selected direct drive platform

- **Consented swap to SG 8.0-167 DD** from AD8-180 for all three projects
- Serve projects with the **strong technology experience of the SG 8.0-167 DD**
- Global portfolio harmonization to **maximize synergies**
- **Drive localization** i.e. localization of nacelles and blades and sourcing of towers

Most competitive platform based on continued innovation and strong focus on LCoE



Continued innovation

- Substantial innovation potential of DD platform
- Best-in-class R&D capabilities to deliver innovation
- Setting the standard for offshore wind turbines

Drive cost competitiveness

- LCoE levels supporting record low bids
- Strongest savings in **balance of plant and service**
- Leverage scalability through **maturity and volume**



Track record of cost reductions and innovations driving platform maturity

8.0-167 WTG enabling 49 €/MWh Kriegers Flak bid

Vattenfall gives reasons for choosing Siemens Gamesa 8 MW turbine:

"...it was simply the cheapest choice in the market measured by cost per generated megawatt-hour electricity..."

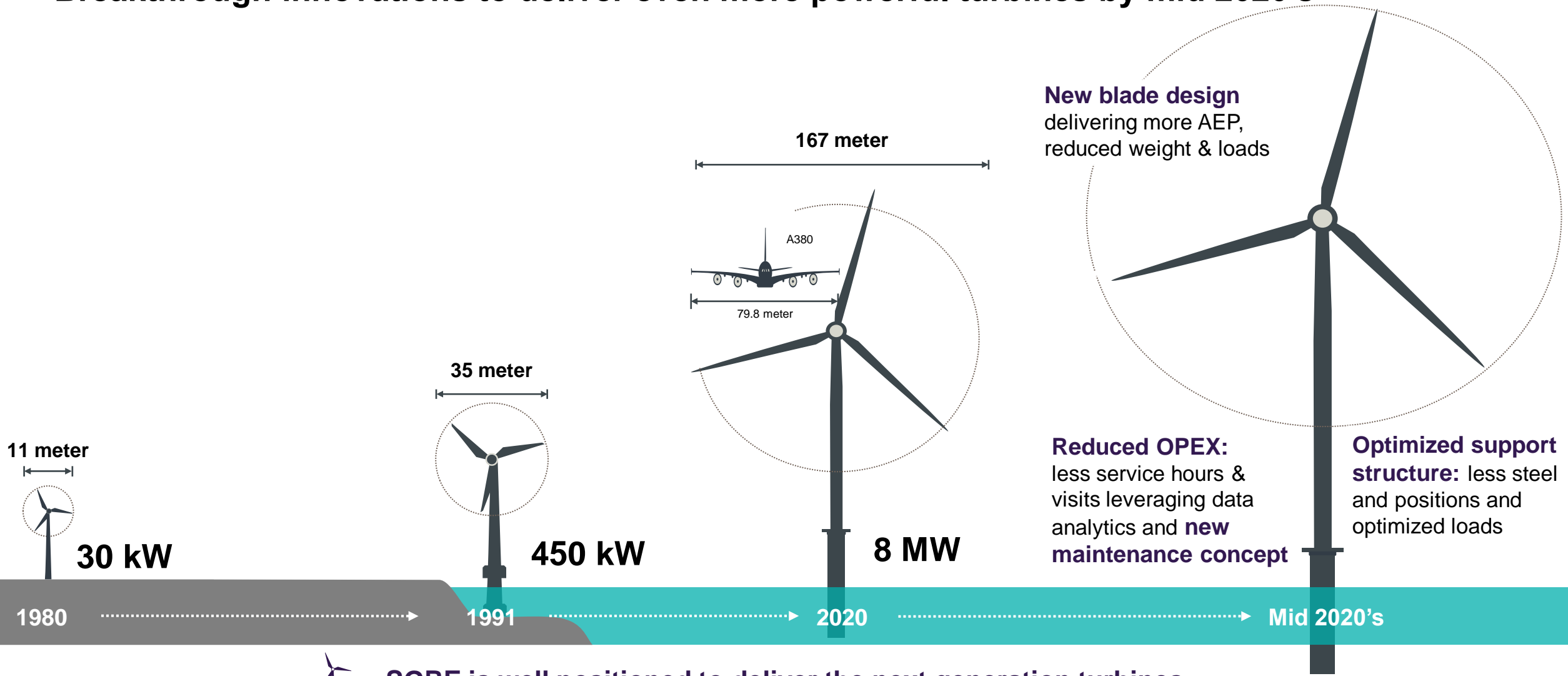


- 20% more AEP than predecessor
- Lowest level of €/MW cost
- Based on track record of >2.2 GW platform installations
- Reduced cost vs. predecessor for foundations, installation and OPEX




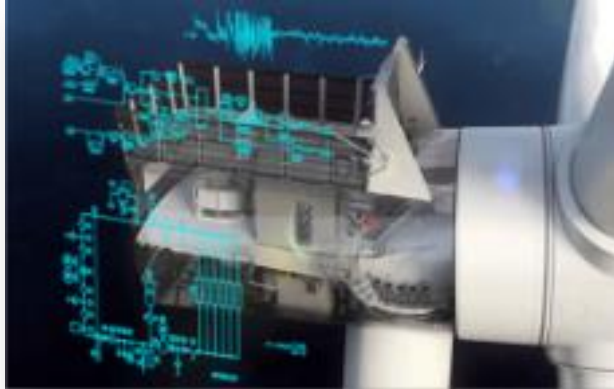

New technologies: Carbon in blades | New aerodynamic blade profile | Improved cooling

Breakthrough innovations to deliver even more powerful turbines by mid 2020's



SGRE is well positioned to deliver the next generation turbines

Clear leader in digital capabilities in the offshore industry

	Power boost function	Active Load Management	Wind farm optimization
Approach	Optimized turbine loads & controls without hardware changes	Real-time load management to allow better power capture	Enhance wind farm behavior to maximize farm output
Customer value	Up to +2% more power production	+17% more rotor area at comparable extreme loads	Up to +1% more power production
The feature	Increased speed boosts WTG rating up to 5%	Real-time load management to allow higher rating & rotor	Optimize individual turbine settings to achieve higher farm performance
			

Offshore Global Leadership



Race Bank – delivered ahead of schedule with excellent safety and quality performance



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Business Unit – Service

Mark Albenze: Service CEO

Service by the numbers (FY17)



10.1 €B
Backlog¹



1.2 €B
Revenue²



~70% of internal portfolio
under service



>28k
turbines serviced worldwide



~6k
employees



Average **contract**
length ~8yrs



Active in **55**
countries



Advanced digital
capabilities

Service is in our DNA

Service Mindset

First OEM with a **dedicated** service organization with **digital backbone**



Global Reach

Active in **55 countries** organized in **5 regions** providing global access



Track Record

Strong track record with **>55GW** under service & **undisputable leadership in OF**

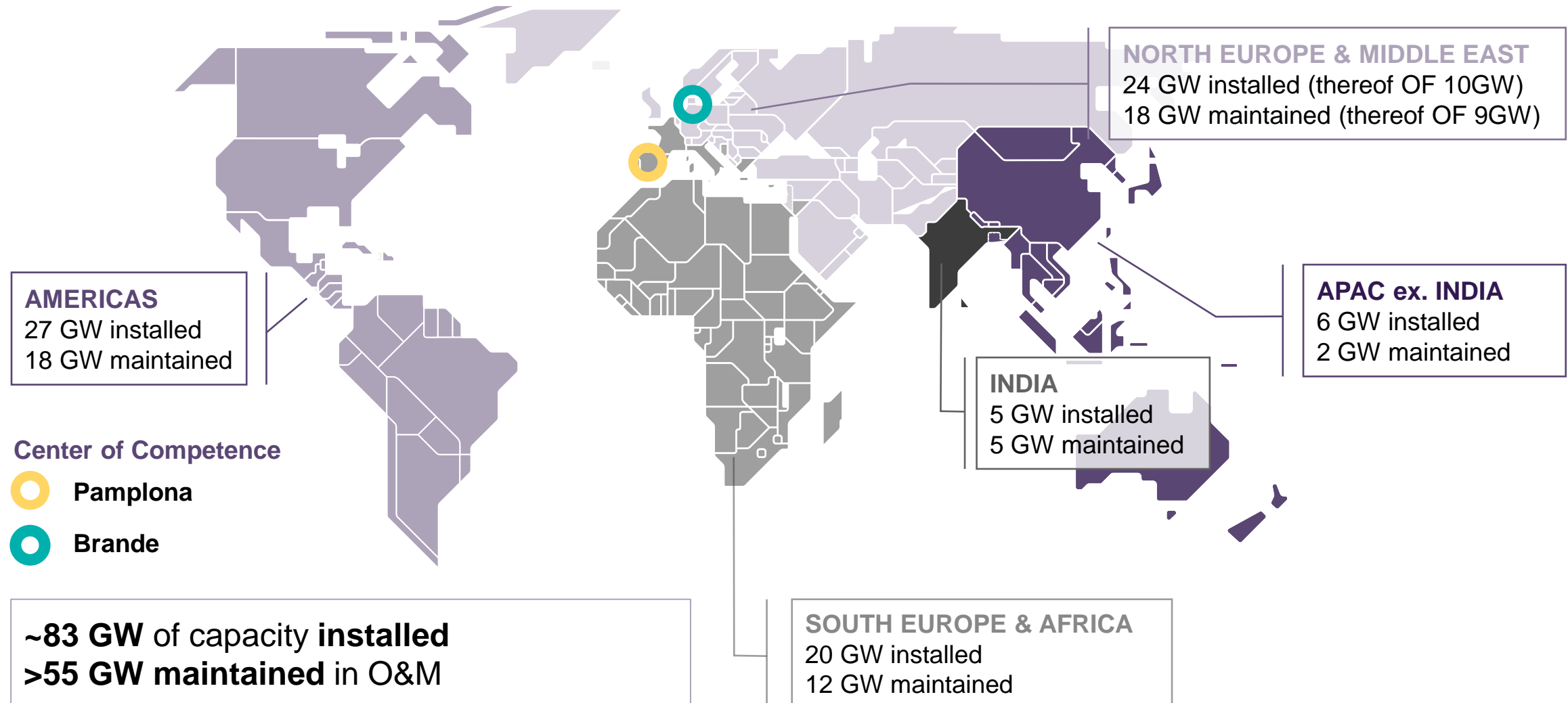


Fleet Expertise

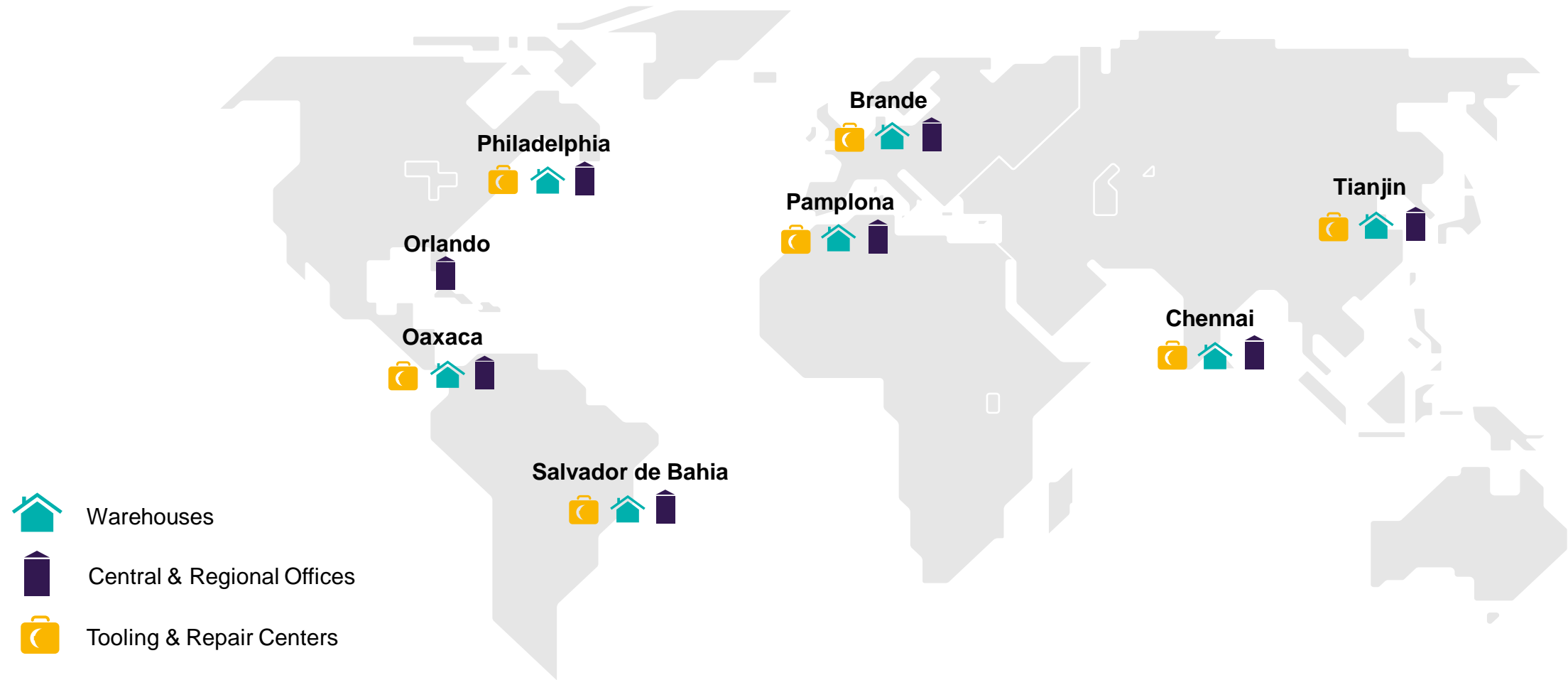
Continuous development of **multiple-brand expertise**



Scale, global reach and true local presence drives top level performance



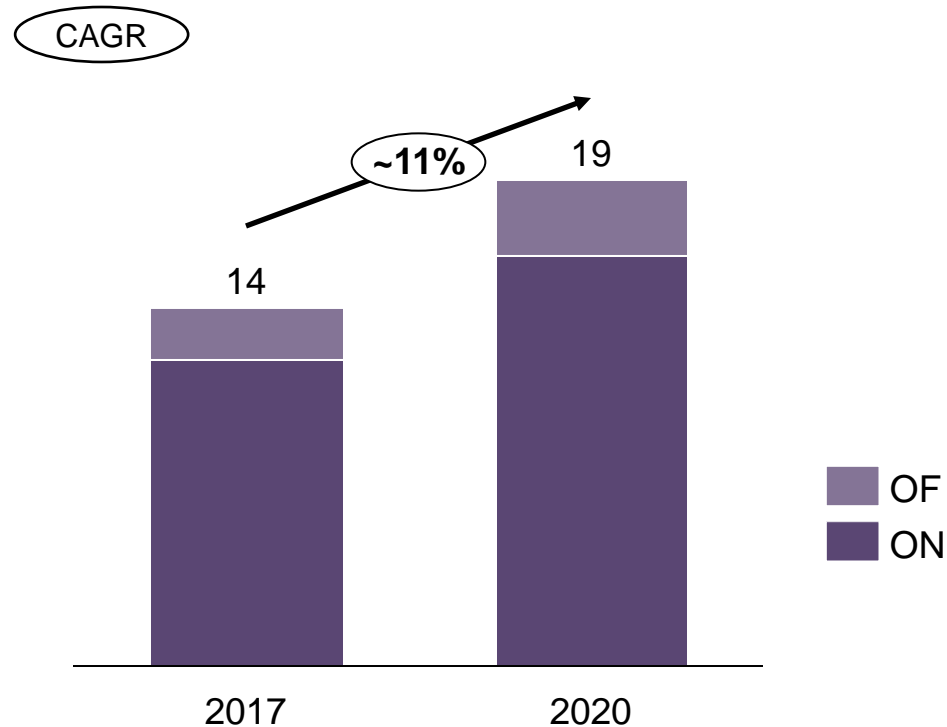
Footprint in place for cost-efficient growth: Unique cross business strength and global coverage



SGRE positioned to outperform in a strong growth market

Global O&M Market size, \$B¹

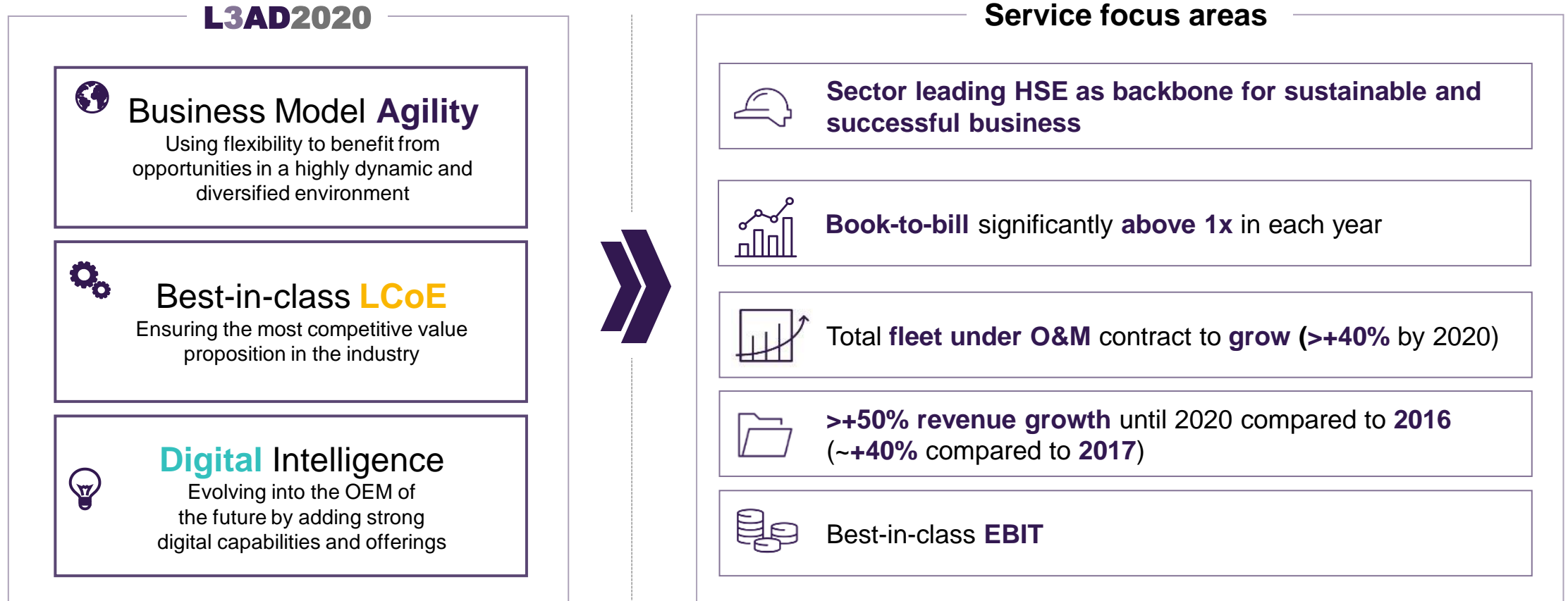
3 year average applied²



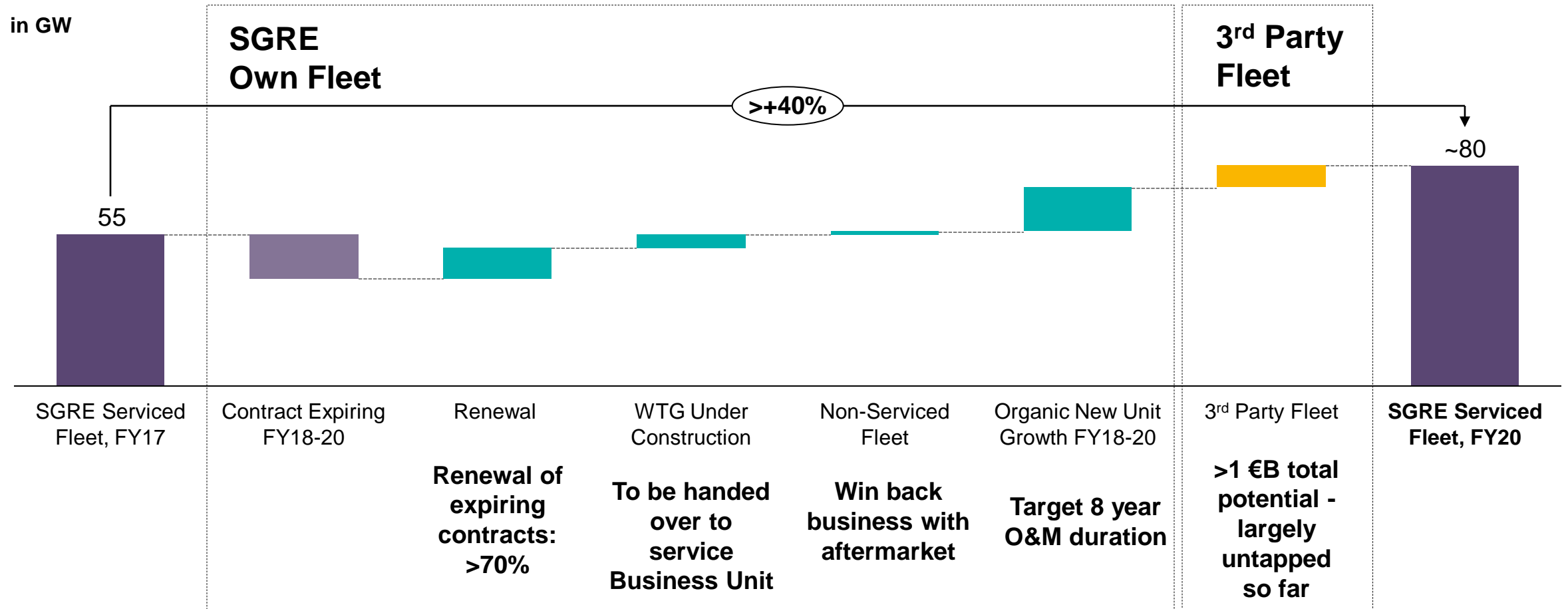
Key market trends

- **Double-digit growth in global O&M market** (will nearly double by 2025)
- **Diversified requirements** in different regions and by different customers
- **Digitalization** and data driven O&M gaining high relevance
- Experienced utility customers shifting toward **self-performance**
- **Price pressure** in new service contracts to be offset by **productivity initiatives**

Service has a clear strategy: Growth and profitability through innovation



SGRE Service roadmap to growth



Customized solutions tailored for each market segment driving growth

Custom O&M Portfolio Offerings

Full-Scope Customers

- Comprehensive Service
- Asset Management

Lynn and Inner Dowsing



~20% of Fleet

Return-focused Customers

- Enhanced Maintenance
- Proactive Maintenance
- Basic Maintenance

Grand Renewables



~40% of Fleet

Self-Performers

- Flexible portfolio offering: Pick & Mix



~40% of Fleet

Project Examples

Merger enables growth and profitability through 3rd party fleet service

Siemens Gamesa Service expertise

20+ years of experience with 3rd party technology strengthened by merger and selective acquisitions

SIEMENS Gamesa
RENEWABLE ENERGY



NEM
solutions

B9
ENERGY®

9REN

Turbine models covered

Vestas®

NEG MICON®
Powerful Simplicity

ecotècnia

NORDEX
We've got the power.

SENVION
wind energy solutions



SUZLON

acciona



Siemens Gamesa track record

Digital footprint

- State-of-the-art **diagnostics center** with **15+** years of experience
- Advanced **data analytics** provided by **NEM**

3rd party O&M footprint

- More than **900 third party turbines under O&M** across the globe. **>40%** beyond basic maintenance

Recent success:

- **Dec 2017 / Brazil:**
400MW 3rd party fleet contract signed
- **Early 2018 / USA**
Life-extension overhaul of 3rd party turbines
- **Early 2018 / Netherlands**
Secured contract based on gearbox capabilities

Relentlessly driving out cost in line with L3AD2020 target

Product Affordability

- **Autonomous** inspection and repair systems drive down **blade maintenance** by ~10 €/turbine
- Expand remote service capabilities increasing avoided cost of >20 €M p.a.
- Fully-leveraged **procurement** with planned savings up to 15 €M in 2018
- Leverage **fixed-price and local repair** plus **crane-less solutions** to reduce main component work by >40%



Operations

- Reduce **turbine visits** by 20% using condition-based service mentality
- Shorten duration of **minor warranty work**; declined 35% since 2015¹
- Optimize service execution through **computerized maintenance management system** cutting maintenance planning time by 50%
- Optimize **working capital** - target to reduce inventory by 20%

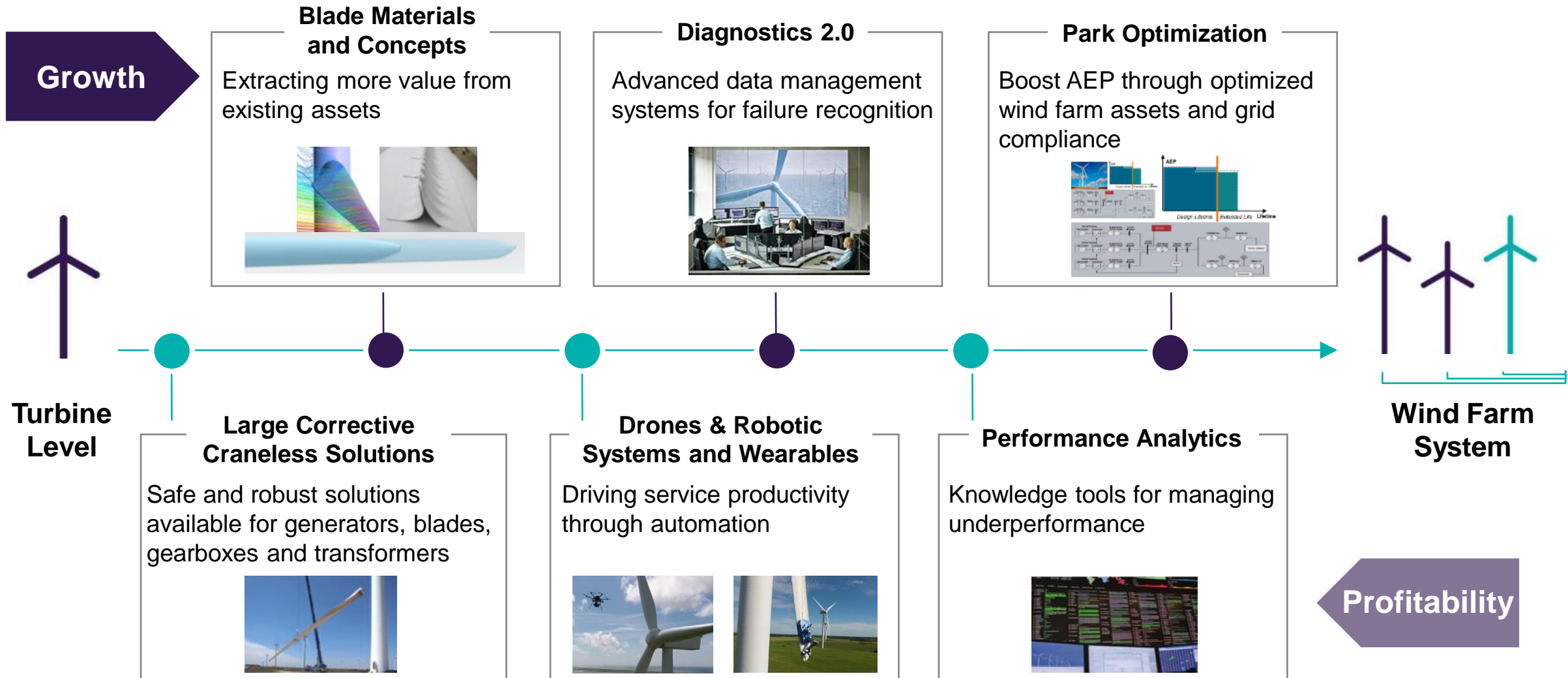


SG&A and Others

- Establish regional & core **competence centers** to reduce **fixed cost** by 25%
- **Consolidation of organizational setup**: reduced to 5 regions
- **Reduction of training facilities and tooling centers**



Innovation drives profitability and growth



SGRE benefits from NEM's advanced analytics capabilities and broad fleet coverage

Advanced and proven technology



NEM analytics platform: A.U.R.A

- Asset data acquisition & advanced analytics
- Predictive failure analytics
- Reliable business decision platform
- Life cycle extension + productivity improvement



Leading track record on multi technology fleet



- SGRE has >28k turbines monitored
- >15k in A.U.R.A by 2018 covering more than 10 Wind OEMs with 30+ platforms

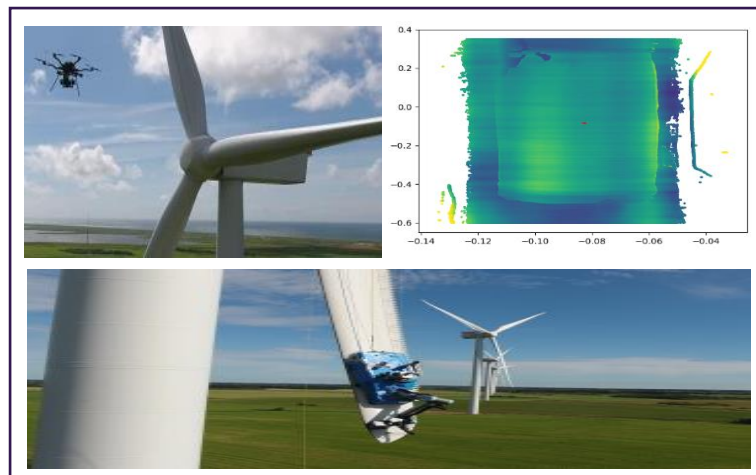
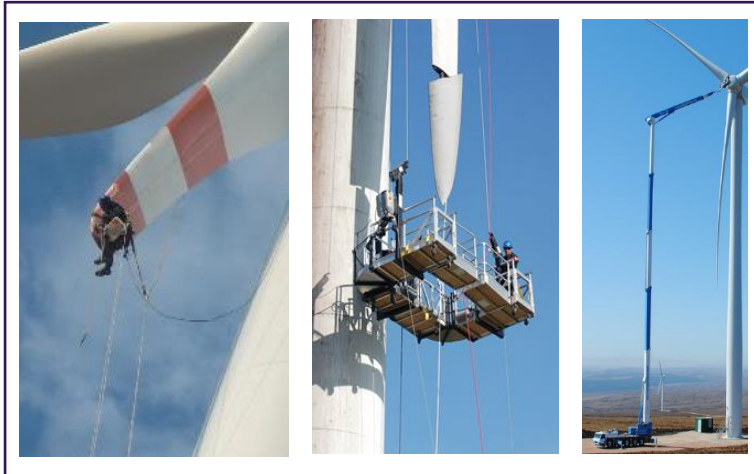


- >60.000 mobility units monitored for main OEMs and 20+ leading operators/maintainers

NEM: 50/50 Joint Venture with CAF 10 years of experience in Wind and Mobility



Example: Blade Asset Management



Current industry solution

- Suspended technicians perform high risk inspections and repairs
- Inconsistencies with inspection pictures and manual labor repairs can lead to quality issues
- Long labor times result in extended turbine downtime and increased labor costs



New asset management solutions

DATA

- **Autonomous and piloted drones** can perform inspections in as little as **15 minutes per turbine**
- **>1000 inspections** performed in 2017

INSIGHT

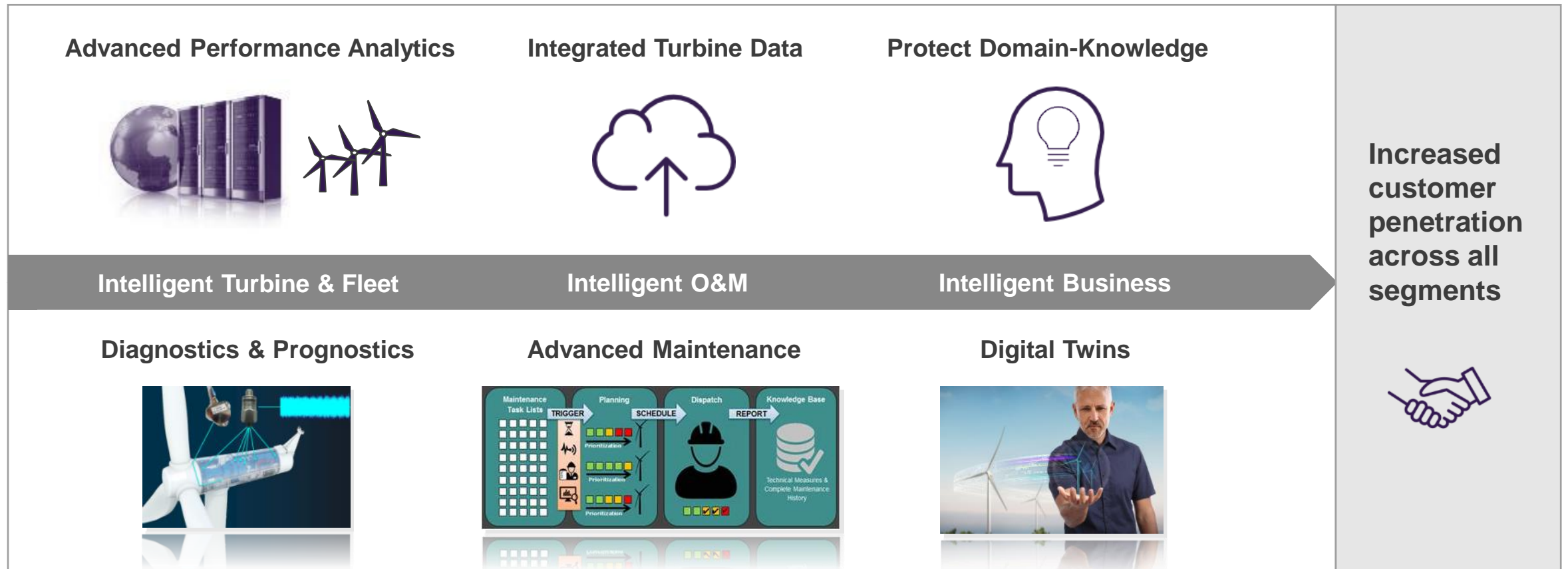
- **HERMES application** enables large scale data processing and analytics for most precise insights

ACTION

- **Robotics** to replace challenging human operations and **leading edge protection** to enhance blade lifetime

Digitalization advances market penetration and sustainable profitability

Utilizing digital intelligence to eliminate scheduled and reactive service



**Service will deliver profitable growth
fueled by productivity and innovation**





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Conclusion

Markus Tacke: CEO

SGRE on track to global leadership



SIEMENS Gamesa

RENEWABLE ENERGY

Appendix

Glossary & Definitions for Additional Performance Measures

EBIT (Earnings Before Interest and Taxes): operating profit per the consolidated income statement. It is calculated as Income (loss) from continuing operations before income taxes, before 'Income (loss) from investments accounted for using the equity method', interest income and expenses and 'Other financial income (expenses), net.

EBIT excl. PPA: EBIT excluding the impact on amortization on intangibles' fair value from the Purchase Price Allocation (PPA).

EBIT excl. PPA, integration and restructuring costs: EBIT excluding integration and restructuring costs (I&R) and the impact on amortization on intangibles' fair value from the Purchase Price Allocation (PPA).

EBITDA: EBIT before amortization and impairments of intangible assets and depreciation and impairments of property, plant and equipment and goodwill.

Net Financial Debt (NFD) is defined as long-term and short-term financial debt less cash and cash equivalents.

Capital Expenditure (CAPEX) refers to investments made in the period in property, plant and equipment and intangible assets in order to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance capex).

Working Capital (WC) is calculated as the difference between current assets and current liabilities. Current assets and liabilities exclude all items classified as Net Financial Debt, such as Cash and cash equivalents.

Return on capital employed (ROCE): ROCE is calculated as: $ROCE = \frac{EBIT \times (1-t)}{CE}$ Where is t the rate of corporate income tax, \overline{CE} is the average capital employed in the period and EBIT is computed on a 'Last-12-Months' basis. Capital employed measures the capital invested in the group.

Book-to-bill: ratio of order intake (in MW) to activity/sales (MWe) in the same period. The Book-to-Bill ratio gives an indication of the future trend in sales volume.

Reinvestment rate: ratio of CAPEX divided by Depreciation and Amortization (excluding PPA amortization on intangibles' fair value).

Glossary & Definitions for Additional Performance Measures

Cash conversion rate (CCR): ratio of Free Cash Flow pre tax excl. Adwen to EBIT excl. PPA. The CCR ratio gives an indication of how much EBIT excl. PPA is converted into cash by SGRE.

Free Cash Flow: is obtained by adding, to net income for the year, the ordinary non-cash items (depreciation and amortization, and provision charges) and income from equity-accounted affiliates, deducting working capital and capital expenditure (CAPEX). It indicates the funds available for use to distribute dividends, buy back shares, pay down debt or other corporate activities not related to ordinary business. Free cash flow is calculated as the variation in Net Financial Debt between two periods.

Free Cash Flow pre tax excl. Adwen: is obtained by adding, to EBIT for the year, the ordinary non-cash items (depreciation and amortization, and provision charges) , deducting working capital and capital expenditure (CAPEX). It indicates the funds available for use to pay taxes, meet Adwen payments, distribute dividends, buy back shares, pay down debt or other corporate activities not related to ordinary business.

MWe: an indicator of activity (a physical unit of sale) used to measure wind turbine generator manufacture in terms of work in progress. The MWe indicator does not reflect post-manufacturing processes (civil engineering, installation, commissioning, etc.), which also generate monetary revenue.

ASP in Order Intake: Average monetary order intake collected by the Wind Turbine segment per unit booked (measured in MW).